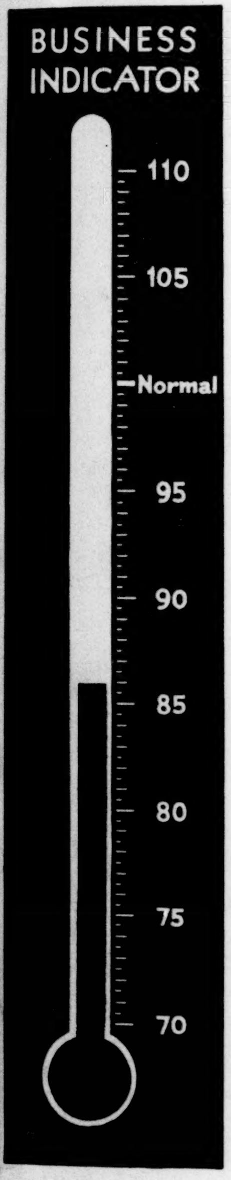
OCT 7 1930

THE BUSINESS WEEK

OCT 8, 1930



After a last frantic attempt this week to sell the world back to the cave-men on the basis of a sheriff's auction, the bears in the commodity and security markets were routed by a revulsion to common-sense on the part of the business community. . . . There has been a somewhat sheepish realization that though the high and justifiable hope of vigorous business recovery this fall seems to have gone glimmering, it does not follow that the world is going back to bows and arrows, buggies, cave-bungalows and bear-skins. . . . Though still disappointing in its speed, gradual improvement in the general level of business activity continues, at slightly more than the seasonal rate. Our preliminary index for the week ended September 27 shows a further slow rise from 85.8% of normal to 86%. . . . The seasonal rise in industrial activity is still irregular and uncertain, but in general trade and in building it is more definite. Further improvement during October is fairly certain, but, without a sudden and decisive change in business psychology and banking policy, it is difficult to see from what source to expect trade to gather sufficient momentum in the next six weeks to carry us through the winter onto higher and firmer ground next year. . . . The economic aborigines and puritan fathers who like long winters will enjoy this one.

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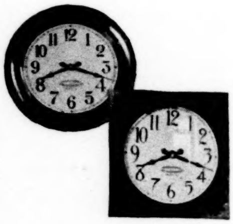

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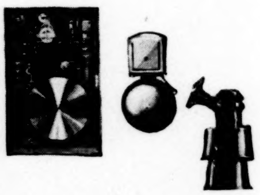

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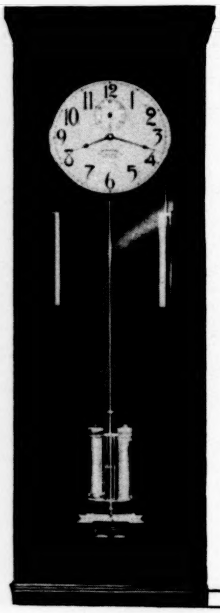

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What's In This Issue —And Why

Bear Debauch

WHEAT, cotton, corn, rubber, silk, sugar, tin, zinc, cocoa, stocks, foreign bonds slide to panic lows in a week when bears make devil's holiday. If history is a guide, this is deflation's final phase. *(page 5)*

Soviet Selling

Is Soviet selling of commodities far below market prices due to need for quick funds, or to a feeling that quick selling at any price may pay better than slower selling—or finally, is it a deliberate, malicious attack upon capitalist nations? Something of all three, we conclude. *(page 7)*

Soviet Buying

FISCAL year of the Soviets ends Sept. 30; reckoning shows $430 millions of goods bought, 48% increase over preceding year. Britain's increase is 148%; ours, 35%. *(page 6)*

Trucks

TEXAS cotton is moving by truck this year; railroads estimate their loss in revenue at $1 million already, prepare to cut rates 30% to 50% to fight. *(page 11)*

Chain Taxes

NORTH CAROLINA'S chain store tax is held constitutional; movement to tax chains has spread through 9 states, is likely to go farther. *(page 12)*

Trade Practice Codes

TRADE associations are caustic in criticism of the Trade Commission's revised policy, call it narrow, legalistic. Perhaps they hope Mr. Hoover will hear them. *(page 13)*

$22.50

THE $22.50 suit is the Ford of the clothing industry. Changing the price is a serious matter, yet costs are going down. Manufacturers study the sales policy problem. *(page 14)*

Furniture Merger

FORMING the largest concern making all lines of furniture, 13 Pacific coast companies form the $20 million Furniture Corporation of America. *(page 15)*

Motor Cars

AFTER a dreadful August the automobile industry is inclined to believe, on the basis of preliminary figures, that September was more cheerful. Some observers foresee mergers. *(page 17)*

Distribution Census

FIRST 1930 Distribution census reports cover El Paso, Tex., Trenton, N. J., reveal how complete, how useful, the reports will be as they accumulate to build up the national picture. *(page 21)*

Newsprint

FIGHTING for sales, Canadian paper mills offer stock to American publishers. Protesting, the chairman of the cartel resigns; disorganization of Canada's greatest industry is forecast. *(page 24)*

Morrow

WARD BAKING CO. stockholders are at war; some want George K. Morrow management, some don't. Which draws attention again to a business physician-surgeon who has built up a tremendous practice. *(page 18)*

Family Meeting

BRITAIN has tremendous economic problems, is likely to reach radical solutions. The Imperial Conference begins in an atmosphere of tension, will give a clue to Britain's future. *(page 9)*

Tariff

CHAIRMAN Fletcher announces the long expected rules of procedure for the new tariff commission; in general they are designed to expedite procedure. *(page 28)*

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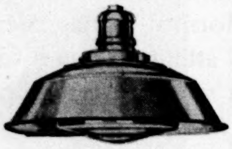

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending October 4, 1930

Commodities Hit Panic Lows In Week of Deflation Gone Mad

Materials Generally Far Below Production Costs; Bargain Hunters Already Busy in Many Lines

THE commodity and stock markets this week gave an exhibition of "dumping" that put any Soviet performance in the shade. Wheat, cotton, corn, rubber, silk, sugar, tin, zinc, cocoa, stocks, foreign bonds, were thrown overboard in a week of swift and practically unbroken decline of prices that brought them to every variety of new lows.

The culmination of two weeks' downslide since the middle of September made stocks crash successively through the August and June lows, and bring up just in time to avoid breaking through the November bottom. A vigorous rally Wednesday brought stocks back a large part of the way, but except for a fairly sharp upturn in wheat and cotton, commodities as a whole made a slow comeback, and continued to oscillate on their rubber bottom as the week closed.

So far as agricultural commodities were concerned, the slump was the panic counterpart to the break in stocks almost exactly a year ago—a neat, logical rounding off of the cycle of deflation which market and business psychology and expert economic opinion have been enthusiastically riding since last fall.

The course of panic and the process of deflation in the past has usually started with the banks, then run to the stock market, then to industry, finally to agriculture—last, but not least to suffer. If it is a question of confirming historical precedent, the job should now be considered finished.

Sugar Cheaper Than Sawdust

This week brought the general level of commodity prices near enough to the pre-war level to satisfy any bitter-ender. For copper at 10 cents it is necessary to go back to the beginning of the century; for cotton just under 10 cents, to 1915; for wheat at 72 cents to 1906; for silk at $2.10, rubber at 7.30 cents, raw sugar at less than a cent ("cheaper than sawdust"), you may go back to the beginning of recorded time to match the low bids at this sheriff's sale of the world's raw material assets.

That this was pure panic, deflation gone mad, is evident from some of the absurdities in it. Corn, with a crop reduced by drought almost a billion bushels below 1929 or 1927, was selling for less than the lowest prices in these years. Wheat, with a world supply not materially different from the average in recent years, was selling 50% lower; almost the same is true of cotton.

The factors that fed the panic were varied, but of no real significance; anything is grist to a bear's mill. In wheat, there is no longer any doubt that Secretary Hyde's Russian bear hunt two weeks ago started the landslide, frightened the few remaining bulls out of the grain pit. They have not been and will not easily be coaxed back by the Board of Trade's faint-hearted surrender to Washington pressure in prohibiting selling by foreign governments. Some governments—a British wheat import board, for example—may want to buy wheat in Chicago sometime or hedge purchases there; but a one-way market will be no more attractive to bulls than to bears.

It appears that the Soviets sold wheat in Chicago rather than in Liverpool because, by reason of the larger volume of trading here, they thought it would depress prices less. In spite of their good intentions they were in for a profit of over half a million if they covered their short sales at this week's low prices.

But Soviet motives or policies had little to do with the case. The Russian bear frightened the wheat pit less than the vision of the legislative zoo in Washington howling in December for further regulation or abolition of the commodity exchanges; gave Secretary Hyde a weapon to force revision of trading rules which he has been negotiating in hope of encouraging the bulls.

Whatever his strategy, the official campaign on the Washington sector was not well coordinated. While McKelvie, Farm Board wheat man, and Legge, together with Milnor, head of the Farmers' National Grain Corporation, sounded the bugle for a bull movement by reiterating the obvious fact that the drought destruction of corn had practically abolished the grain surplus, Stone, Farm Board tobacco expert, shelled them from the rear with doleful statements from the Big Berthas of the Bureau of Agricultural Economics, forecasting everlasting decline of wheat prices. At the height of action the news tickers, printing contradictory communiqués from the Potomac, were running far behind; the few remaining bulls took to their heels and let prices slide. The general public could only conclude that Washington machinery had developed several loose screws.

Real Situation Unchanged

Aside from that, nothing in the actual situation had changed during all this time. Receipts of new crop wheat in terminal markets, though above last year, had passed their seasonal peak earlier than usual and were falling. Export movement of American wheat was well sustained. Farmers were sending more wheat to storage for future sale, with aid of lower interest rates, than in any earlier season. European crop prospects showed no improvement. Estimates of the probable amount of wheat to be fed to livestock were raised above 150 million bushels. All that was lacking was a few shrewd speculators willing to bet on higher prices later.

Cotton declined largely in sympathy with the general commodity slump, pushed somewhat by the usual seasonal dip in prices as the new crop movement reached its peak. Under pressure of this movement, hedges of spot purchases by speculative interests naturally increased. But foreign and domestic buying for consumption has been active, and after the dip below 10 cents, was enough to rally the price. Farm Board agencies and intermediate credit banks have extended credit aid in holding the crop, which effectively pegs the price at a minimum of 9 cents. Wholesale cotton goods trade has been brisk, and everyone recognizes that the raw material is cheap, below production costs, and that current prices are sure to bring curtailment of the next crop.

Rubber, silk, sugar were all submerged by the failure of production control efforts and weight of huge stocks which wait revival of consumption to be reduced; tin, zinc and copper also; but the 10 cent copper price seems much nearer the point of effective discouragement of further production, at least by American interests, and skepticism as to how long copper will go at that price has stimulated active buying.

As a fact, practically all raw materials are selling below production costs of most of the producers who are necessary to supply normal world requirements—in some cases, like sugar, at half the minimum cost. Present prices are bound to stimulate consumption and reduce apparently excessive stocks. When this has gone on for a while, production costs are bound to become effective again in setting the minimum price level.

The beginnings of this process may account for the relative firmness of wool, coffee, and silver during this latest price slump. At any rate the recent improvement in the silver price is an encouraging sign that the Oriental raw materials are not going to be sold lower; and, if history is any guide, that commodity prices are due for a rise.

Wide World

JOHN G. LONSDALE

The retiring president opens the 56th annual convention of the American Bankers Association

Soviets Buy 48% More in Year, Purchases Reach $430 Millions

FISCAL reports from world trade centers for Sept. 30, the end of the Soviet business year, show Soviets increased the volume of purchases this year from 5 major importing countries by nearly $140 millions, reaching a total of some $430 millions.

Official investigations, threatened embargoes, and curtailed credit by the United States, threatened diversion of orders to other countries by the Russians, effected no decrease in this year's business. Total purchases in this country increased from $107,470,000 last year, to $145 millions, or 35%. Amtorg jumped its purchases, largely of industrial and agricultural machinery and equipment, from $77 millions to $126 millions. Other Russian trading groups, including the All Russian Textile Syndicate whose purchases of cotton are rapidly decreasing because of expansion of the cotton areas in southern Siberia, spent $18½ millions.

England's Share Larger

Most striking trade expansion is reported from London. Actual trade figures are not yet released but officials disclosed that $118 millions of orders have been placed in England and Scotland, 143% over last year.

This outstanding shifting of Soviet orders to London has been evident since early spring when diplomatic relations were re-established with Moscow. Immediately Britain's Government Export Guarantee system was extended to cover Soviet orders. Nearly $150 millions were made available to cover up to 60% the orders which were placed with British manufacturers. Trade boomed. Russian orders for the first 6 months of the fiscal year had totaled only $44½ millions; increased to $65 millions by the end of June; reached $118 millions before Sept. 30. Soviet export credits stored in England are large, due to a huge excess of exports to London for several years.

Germany, heretofore Russia's best customer and the source of the largest Soviet orders, falls behind. Purchases through the Soviet trading delegation in Berlin totaled $112 millions, against $101 millions last year, an increase of only 11%. Observers in Germany, however, know these figures do not tell the entire story. The need for foreign trade have encouraged manufacturers to make a drive for Russian trade. Business has been negotiated direct with Moscow. When individual companies have been unable to finance the orders, states, even municipalities, have come to the rescue with credit guarantees. Credit has not tended to loosen in recent months, however, and Berlin critics see a sharp curtailment due to financial difficulties in Germany and to criticism of Soviet trade tactics of late, though no manufacturer has yet reported any lapse of German payments. The volume of direct business between Moscow and German industry is not known in Berlin.

Italy is still negotiating for the enlargement of Soviet-Italian trade. The Russian trade delegation in Rome reports that orders for Italian equipment in the first 6 months of the present fiscal year totaled $32,200,000, a gain of 77% over the $18,400,000 ordered in the same period last year. Italian export credits have been promised by the government on a one-year reciprocal trade agreement with the Russians.

France continues to hold aloof. Russia's trade delegation in Paris negotiated purchases of $29,678,000 of French materials this year. The increase over last year's orders for $24,434,678, was 21%. French bankers steadily refuse to cover credit on Soviet business; the French government refuses to grant any export credit guarantees. Principal Russian purchases are for non-ferrous metals.

Future Uncertain

The net of the year's business favors Britain and the United States. What can be accomplished in London in the discussions between bankers and Soviet officials over outstanding and repudiated Russian bonds held by British investors, if anything, and what effect any results will have on British-Soviet trade is problematical. Controversy over the Lena Goldfields case is another uncertain factor. Germany's instability overclouds any accurate forecast for trade increases in that quarter. Trends in the coming 6 months may be radically changed, though present indications are that the volume of Soviet purchases will continue to increase at a rapid pace.

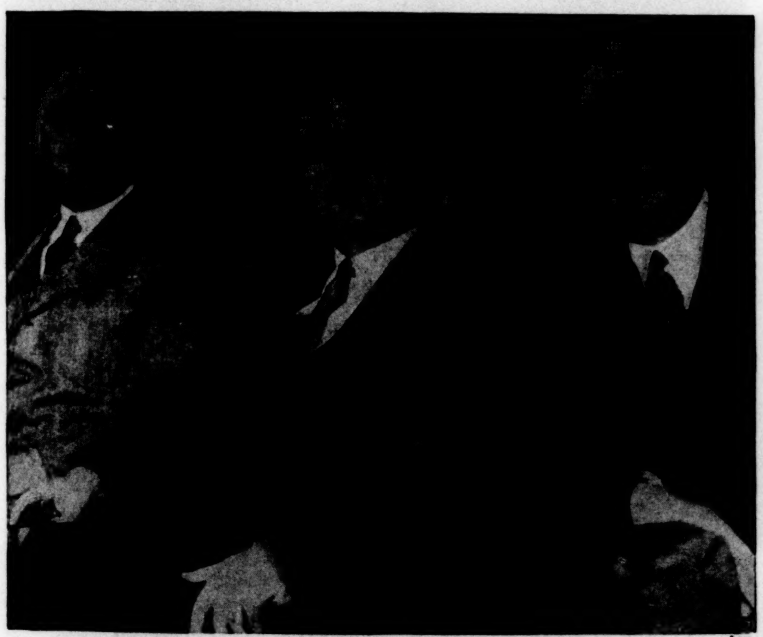
Urgent Needs, Basic Creed Joint Motives of Soviet Dumping

State Needs Quick Cash, and Besides the Chance To Harry a Sick World Is Too Good to Miss

SIX months ago *The Business Week* detected the first signs of disturbance in commodity markets and prices by sales of Soviet wheat, lumber, matches, textiles, and other products in European markets at levels below those then prevailing; reported the development of anxiety in certain of these countries over the effects of these so-called dumping activities; forecast their increase and pointed out their logical relation to Soviet political theories (*The Business Week*, April 9).

The recent furore over Soviet operations in the American wheat market and other markets abroad is in large part merely a belated dramatization of things that have been happening for a year or more. The effects of Soviet activities have become the more dramatic because they have coincided with the low point of a world-wide business depression and deflation of commodity prices. There is no doubt that Soviet exports have been to some degree speeded up in recent weeks, according to all reports coming from Europe; but insufficient information is available to make it possible to determine how important are each of the three factors involved in current Soviet activities—the coincidence of the low point of the business depression and the critical condition of the commodity markets; the internal situation in Russia in its relation to urgent need for foreign credit; and the pursuance of the Communist policy of sabotage against the capitalistic system. It is probable that all three factors are working together, since they coincide in their effects.

The stability of the present régime in Russia depends now mainly on the psychological effect of failure or success in maintaining or advancing the schedule of industrial development under the Five-Year Plan. This in turn depends upon securing without interruption the essential machinery and technical aid required at this stage. There has apparently been little tendency toward more liberal extension of credit for Russian purchases by private business interests in other countries. Special governmental aid in the way of credit guaranties has become necessary to support sales to Russia in Great Britain, Germany, and Italy. There has, therefore, been more urgent need for Russia to get money to pay for purchases not so secured, by selling more of her products abroad at any price.



Acme

GRAIN MEN DISAPPOINT MR. FISH

Joseph W. Badenoch (left) chairman of the Business Conduct Committee of the Chicago Board of Trade; Joseph P. Griffin of J. E. Bache & Co., New York, which handled part of the Soviet wheat trading, and Fred H. Cluppen, secretary of the Board of Trade. They told the Fish Congressional committee that Soviet wheat sales were not made intentionally to depress market but were usual "hedging" operation

Accelerating Depression

Ordinarily it would be to the interest of Russia to maintain an orderly market and secure the best price possible for what she sells. But at the climax of a world-wide business depression, when all markets are weak and prices declining, the immediate advantage of getting the best price is less important than the wider advantage of accelerating deflation and depression in the capitalistic countries.

According to the Communistic interpretation of the inevitable tendency of the economic situation in the capitalistic nations, the price system is now the corner stone of the capitalistic structure of world business. The Soviet leaders know that Western capitalism could not survive a complete breakdown of the price structure. Such a breakdown, according to the Marxian formula, in the first instance deepens business depression, increases unemployment, provides the basis for political and social unrest and revolutionary upheaval.

Emergency Devices Flourish

Reaction of capitalistic nations to this danger, in response to pressure from business and labor interests in their respective countries, is to extend use of emergency devices of governmental relief and control through establishment of larger social insurance and other relief measures, heightening of tariff walls with resultant increase in living costs, and setting up of governmental agencies, import boards and the like for the control of foreign trade. All this from the Soviet point of view merely prepares the way for extension of state socialism and lays the basis of machinery of governmental control ready to be taken over when the time for outright socialization is ripe.

These tendencies are all accentuated in a time of world-wide business depression. All the forces resulting from demoralization of prices and chaotic commodity markets, as well as the interruption of normal international trade, work toward the ends orthodox Marxian communism has in view.

Cutting Retail Prices, Too

For these reasons, despite the urgent need of Russia to get as much foreign purchasing power as possible, she is ready to load as many ships as she can with all sorts of goods and send them to foreign markets almost at random, practically peddling the products from port to port, at prices much farther beneath prevailing market prices than is actually necessary to effect a sale on ordinary bargaining terms. In some cases there is evidence that Russia is not content with depressing the wholesale market, but, as in the case of petroleum sold in Europe, she attempts to further demoralize wholesale markets by cut-rate retail sales.

Even though the foreign exchange secured as the result of such selling is less than it might be, the internal Soviet financial system makes it possible to pyramid a larger amount of internal purchasing power on the basis of a diminishing volume of foreign exchange, since foreign credit is used as a basis for larger and larger volume of internal currency issues. Such internal inflation, of course, means continually lower real wages for Russian workers during the process, but the Soviets hope that Russian labor, sustained by the determination to achieve the ideal set by the Five-Year Plan, will be willing to make the sacrifice involved, especially if the rest of the capitalistic world is thereby being pushed so much nearer the point of breakdown.

Critical Winter Ahead

This sacrifiice cannot be prolonged indefinitely and this is, therefore, the critical winter in the Soviet program. The coincidence of a world-wide depression logically provides the Soviet with its decisive opportunity. The longer business recovery is delayed in the United States and Europe the greater this opportunity is. The Soviet leaders are well aware that even in so widespread an economic crisis, there is little prospect of concerted action to combat the kind of economic offensive which Russia is employing. In such a crisis nationalism is greatly intensified. Individual business interests in each country are under more severe necessity of securing all the trade they can with Russia, by way both of purchases of cheap materials and of sales of machinery and equipment. The movement for protectionism of all types becomes acute; cooperative international financial action to overcome deflation by credit policies facilitating better distribution of gold reserves is less likely than ever. The Soviet is, therefore, in the best possible position to play one country against another and thereby foster international friction and possibly even actual conflict.

Whether this is the deliberate purpose or an incidental feature of Soviet trade methods, it is the inevitable effect of such methods, and there is nothing in the Communist philosophy that would restrain the Soviets from producing this effect if they can.

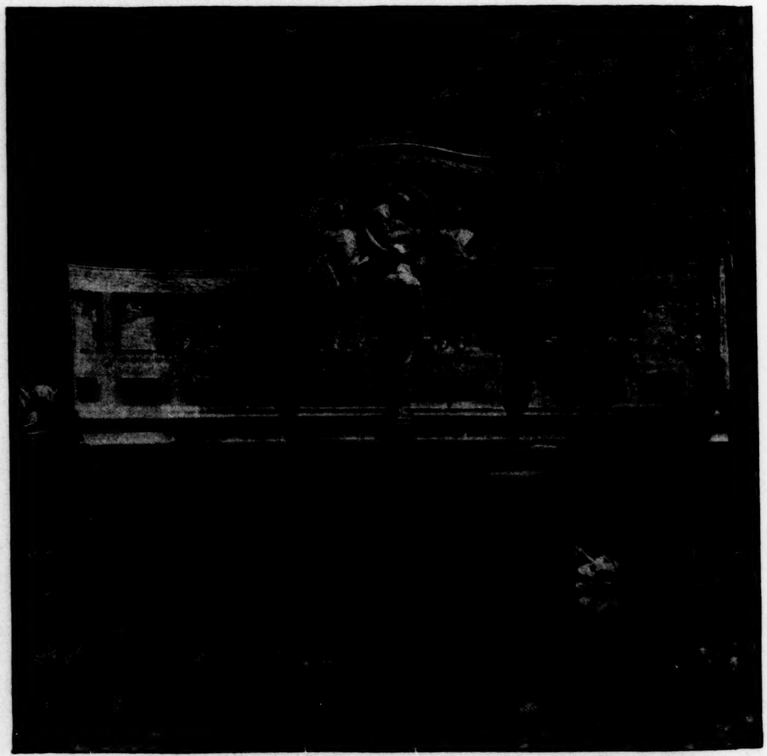
Proposed New Wheat Pit Rules Face a Battle

SHARP difference of opinion exists within the grain trade as to advisability of changes in rules of Chicago Board of Trade to be voted on by secret ballot Oct. 6. Elevator men and cash grain interests are the leading opponents; strongest support comes from houses with considerable speculative clientele (the changes are intended to increase speculative buying). Sharp difference of opinion between speculators and elevator men is nothing new on the Board of Trade. It is a chronic condition.

A letter received by *The Business Week* from one of the largest elevator concerns in the Northwest, outlining objections in detail, was shown to Board of Trade officials in Chicago. Their reply was that all contentions it set forth, and many others from other interests, had been thoroughly weighed before the proposed changed rules were drafted.

If there were just two sides to the question of changes, *The Business Week* might summarize each, but there are many sides. The 1,586 members of the Chicago Board of Trade represent numerous and varying interests.

One important member sums up: "The changes are hasty and ill-advised, evidently proposed at this time because officials in Washington who know less about grain matters than they should, have urged it. The changes may have some merit, but what we ought to do right now is defeat them and then go into the matters more deliberately and carefully."



IN MEMORY OF GEORGE WESTINGHOUSE

Dedicated October 6, this memorial was erected by the 54,251 "who served with him in the army of industry." Of Norwegian black granite, bronze and gold, it occupies a little valley in Schenley Park, Pittsburgh

NORTHUMBRIAN

International News

THE ANCIENT AND THE HONORABLE

The ancient is the historic locomotive which drew the state coach of the Duke of Wellington. The honorable is the Honorable Charles G. Dawes, Ambassador Extraordinary and Plenipotentiary to the Court of St. James. The occasion is the Liverpool Centenary Pageant

Empire's Family Conference Will Affect Whole World

Economic Questions Real Focus of Discussions And Decisions Will Shape Business History

DECISIONS of vast economic importance to the whole world will be made in London this month. Because the foreign trade of Britain and the empire affects every other country, all the world is watching England, awaiting the result of the Imperial Conference which opened Wednesday this week. For the entire month of October, prime ministers from the dominions will debate empire policies behind closed doors. Only prepared reports will come to the press, though problems under discussion are the most important to face the empire in many years.

These problems boil down to three: First, that called in the agenda "intra-imperial relations," which means merely whether the British Empire is going to continue to exist, formally, as a political structure, or whether its actual political dispersion is to be formally acknowledged. The dominions have come to London determined to win Britain's formal admission of their right to secede, as a corollary of Lord Balfour's promise in the last conference four years ago that each dominion is completely autonomous and equal. Upon the answer to this question depends that to the second, which is as to what the policies of the dominions shall be in the event of European conflicts and political or economic realignments, continental commercial unions or confederations such as Briand has been promoting. The premiers, all England, and the world are less interested in these political questions than they are in the third main subject of concern at the Imperial Conference, which is the economic policy of Britain in relation to the dominions and the world.

Discussion of economic questions will be epoch-making. After 300 years of free trade, England is threatened with a sharp change of commercial policy. Domestic depression and unemployment have forced all parties in England to propose drastic steps for relief. Because Labor leaders are opposed to tariff protection while many of their supporters are sympathetic, most authorities anticipate the fall of the Labor government soon after the conference, unless it yields to the nearly universal popular movement against continuance of existing trade policies.

Profound Changes Certain

The question is no longer whether they will be changed—that has been assured by the dramatic crusade for economic imperialism conducted by the Beaverbrook - Rothermere press — but how. Will it be by adoption of a simple revenue tariff to help support the government's fiscal burdens? Will it be by a carefully constructed protective tariff on the American model to subsidize specific industries? Or will Britain, at one jump, bridge the whole era of old-fashioned tariff experiment in its history and plunge into the first stages of state socialism by undertaking outright government control of foreign trade through a machinery of import boards and quotas? All three approaches and innumerable combinations of them are offered by the various parties. The Imperial Conference will be interested in only one aspect of the complex problem of method—what will it do to intra-empire trade? Whatever the outcome, British policy will almost certainly be centered on the idea of replacing the defunct political British Empire with a new economic structure bound together by a system of trade cooperation.

Marketing Board's Work

Further smoothing the way for empire preference is the work of the Empire Marketing Board in Britain. Formed just after the fifth Imperial Conference in 1926, this board has been given $5 millions a year with which to further the marketing in the United Kingdom of empire products, including home agricultural products. Anti-protectionists who laugh at the possibility of strict intra-empire trade, admit that England's food and raw material purchases within the empire have increased since 1913 but point out that foreign supplies still exceed them. Food imports from the empire last year were $371,850,000 compared with $610,500,000 from foreign countries; raw materials were $224,775,000 from the empire, $396,000,000 from foreign countries.

British business, prepared for almost any outcome, made two significant gestures to early arrivals at the conference. The first was the presentation to Premier MacDonald by a joint committee from the Federation of British Industries, an employers' body, and from the Trade Union Congress, representing labor, of a memorandum urging on the conference the need for a constructive empire trade policy.

Urge Trade Conference

This joint committee has definitely urged the establishment of a permanent empire secretariat and a regular empire trade conference. Spokesmen pointed out that Britain now has better facilities for cooperation with European nations through the League of Nations setup at Geneva than it has with its own dominions. Because the document is the first joint recommendation of capital and labor urging empire preference, it carries great weight. Although not mentioning specifically tariff questions, it is generally accepted that British industry, since the last meeting of the Trade Union Congress when rigid free trade principles were abandoned, is determined to thrash out this question and the Imperial Conference will hear a good deal about it.

A Protectionist Move

More dramatic was the meeting in London at which industrialists from all quarters of Britain assembled under Sir William Morris, motor manufacturer, and approved the formation of a Council of Industry and Commerce pledged to a policy of protection and national economy.

Supporters of the plan included such men as Lord Melchett and the ex-Chancellor, Sir Robert Horne. Hundreds were turned away from the hall. Although the importance of this move is slightly discounted by the known protectionist sympathies of the conveners—since it came after the startling pro-protection resolutions of the Manchester Chamber of Commerce and of London bankers—it is significant that the Rothermere-Beaverbrook campaign for tariffs has powerful backing against the alternative of imperial trade unity by import control boards offered by Labor.

The Business Week—European Bureau

SHOE KING OF CZECHOSLOVAKIA

Thomas Batá (right) learned American methods in the shops at Lynn, Mass. Here he is seen with Abraham C. Ratshesky, the American minister, on the latter's good-will tour of the country (see page 26)

A.B.A., Approving Branches, Is Still Silent on Group Banks

BRANCH banking has won its long battle for recognition by the American Bankers' Association. At their Cleveland convention this week, the A.B.A. members abandoned their historic stand against this form of banking. They didn't surrender everything. Approval is confined to branches within city limits for urban areas, county-wide branching in rural sections. They don't want federal legislation that will force the states to broaden their laws on this subject.

To group banking they surrendered nothing. Its tremendous growth in the last 2 years, as clearly recognizable as is the spread of the branches, was totally ignored by the convention, though one speaker told it that more than half the total banking resources of the nation are now held by the group and branch systems. The resolutions committee felt officially that this type of organization is so new that it must be studied further before any action is taken; unofficially, association leaders were willing to admit that recognition involved questions too delicate, too controversial, to be let loose on the floor. Leaders of group organizations at Cleveland appeared satisfied to let recognition of branch banking be this year's "one step at a time."

Unit bankers took consolation from the convention's formal praise of their value in "areas which can still support unit banks."

The passage of the resolution on branch banking was a somewhat less peaceful surrender to reality than had been hoped for. Some recalcitrants who scented an attempt to railroad it through reopened the controversy on the floor Thursday in an effort to eliminate the county branch provision. They failed, but the interchange of opinion proved conclusively that branches are favored in very restricted areas only.

The bankers started their Cleveland convention on a note of conservative optimism and in general agreement with the official opinion that the depression is passing through its last phase with a clear outlook for slow recovery reaching normal late this year or early next spring. They gave their most resounding applause to Fred Sargent, president of Chicago North Western, who took the platform to flay government invasion of private business and made a thorough job of it.

Trucking Writes a New Chapter In Texas Cotton History

Houston Rejoices, Galveston Protests, Railroads Make Vain Efforts to Recoup Serious Losses

TEXAS cotton is moving by truck this year, with railroads and rail centers finding a substantial part of their business snatched away without warning. Galveston, out on its peninsula, is holding indignation meetings as Houston, farther inland, unloads cotton bales from an unbroken line of trucks and transfers the shipments to waiting vessels.

Texas railroads are said to have lost over $1 million already, with further losses threatened as a rate war begins. The Texas Railway Commission has granted them permission to cut rates 30% to 50% in an effort to regain some of their normal traffic but the trucks are expected to meet the reduction and retain their hold until more drastic action is taken.

This cotton trucking has helped to push Houston's port business for the first 8 months of the year 23.5% ahead of the record for January-August, 1929. Cotton shipments from Houston in 1930 will probably reach $10 millions, Germany and France being the main buyers.

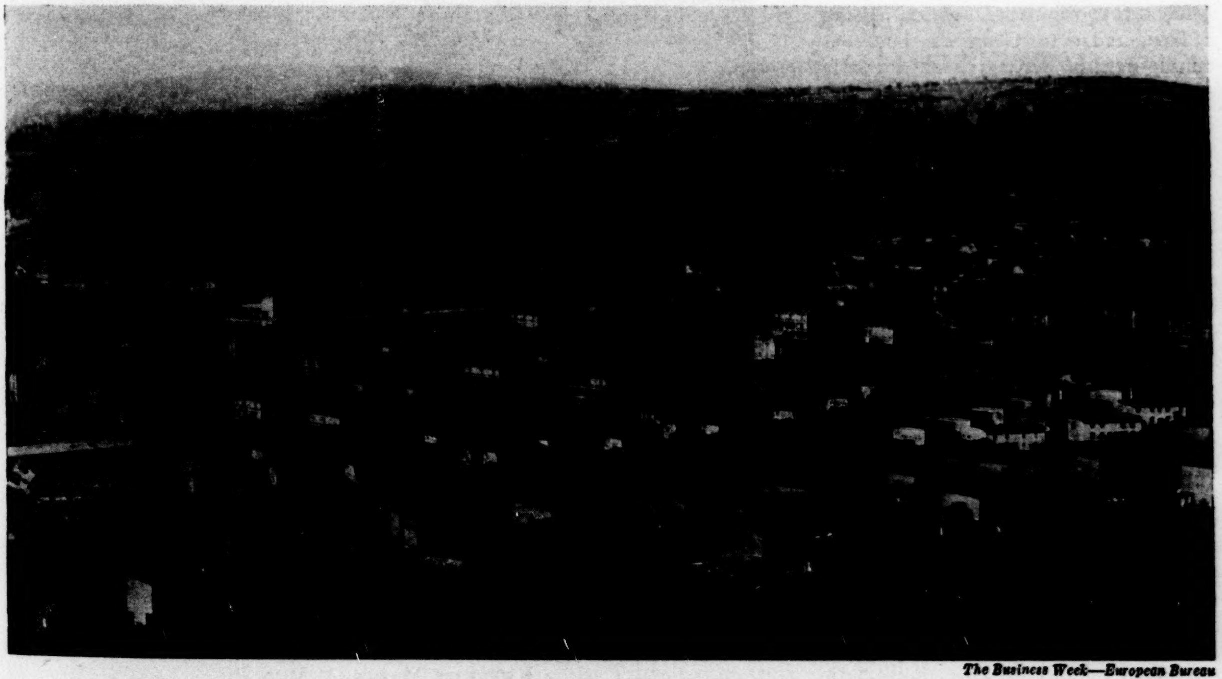
At least 1600 trucks are said to be engaged in cotton hauling about the Texan city. The bulk of the haul comes from within 150 miles but trucking companies are reaching out into black land belts of central and west Texas as far as 300 miles from seaboard.

Of this year's crop so far, the railroads estimate that trucks have handled 249,000 bales (40% of total receipts) at Houston; 182,000 bales (60% of total receipts) at Corpus Christi; 18,000 bales (12% of total) at Galveston.

Restrictive regulation is talked of, but Texas politics seem to be stacked against anything like this. R. S. Sterling, head of the Humble Oil & Refining Co., is campaigning for almost certain election as governor with a $300-million bond issue for paved roads on his platform. He proposes to meet the cost of these roads by a gas tax, and wants to transfer bus jurisdiction from the state railway commission to the highway commission of which he is now chairman.

As Texas goes, so goes the nation. While railroads have been worrying about truck inroads on l.c.l. short-haul freight, the trucking companies everywhere have been massing their forces for a surprise attack on long-haul business in carload volume. Passing beyond merchandise goods, trucks are now handling bulk commodities such as cement, lumber, structural steel, grain, and newsprint paper, according to a survey just released by *Railway Age*. One firm advertises an overnight service between Los Angeles and San Francisco and is reputed to make the 480-mile run within 15 hours.

Larger movements are made possible by improvements which have come within the past year or two. Sleeper cabs now permit a relief driver to stretch out until his turn at the wheel arrives. Trailer design has made fast progress so that the larger units can handle up to 20 tons—well beyond the 30,000 pounds usually considered within rail carload range. And a truck can do such things as pick up its 30,000-pound load at two or three different points, while the railroad cannot afford this at carload rates.



The Business Week—European Bureau

THE BATÁ FACTORIES

The little town of Zlin, in the foothills of the Carpathians, is almost all Batá. Here American machinery and American production methods cause American manufacturers to worry. Only a few miles away is German Silesia, where Batá plans more factories—which worries German shoe-makers

Tax on Chain Stores Spreads; States Adopt Varying Methods

CONFIRMING the decision of the Wake County, N. C., Superior Court, the North Carolina Supreme Court upheld the 1929 chain store tax law, imposing an annual tax of $50 upon each unit of a chain or branch store organization. Chains are expected to carry the case to the United States Supreme Court, claiming the law violates the 14th Amendment; meanwhile $35,000 paid by chains under protest for the year ending June 1, 1930, will remain in the state treasury.

The present law is the result of several years' agitation; it supplants a similar act passed 3 years ago which started the tax with the sixth unit, was subsequently held unconstitutional.

Georgia, instead of taxing separate units, strikes at the chains with a sales tax requiring payment of 1/10% tax on wholesale sales, 1/5% on retail sales, and protects the small retailer by providing exemption of $30,000 that may be claimed but once, no matter how many units or businesses a person or corporation may control, specifying expressly that "a chain of stores is one business and but one exemption is permitted for the entire chain."

Kentucky, originally intent on passing a law similar to Georgia's, but containing even higher tax ratios, promptly altered its plan when the Indiana Superior Court ruled that chain stores could not be subjected to special taxes, then enacted a sales tax covering all stores, those with annual sales of less than $400,000 paying but 1/20%, with percentage rapidly rising so that on $1 million sales, 1% or $10,000 tax must be paid, volume of various units under single ownership being added to obtain highest tax ratio.

Mississippi Action Stayed

Mississippi similarly put a gross-sales tax on its statute books, but upon application of J. C. Penney Co., claiming discrimination against chains, temporary injunction has been issued, followed by interlocutory decree of three federal judges. While the state's attorney-general prepares appeal, sues for dissolution of decree, collection of tax is postponed.

Five other states have sales taxes of one type or other, Pennsylvania having started the procession with a tax law nearly a century old, brought up to date through the "Mercantile License Tax Law" passed May 2, 1899, imposing upon retail dealers an annual license tax of $2 and 1/10% on gross volume of business, while wholesalers pay $3 for license and 1/20% on gross volume.

West Virginia has a "privilege tax" of 1/5% on gross income of retailers and 1/20% on that of wholesalers with an exemption of $10,000 of sales applying to both.

The Privilege Tax

Similarly Connecticut since 1921 levies a "privilege tax" of 1/10% on manufacturers and retailers, .025% on gross income of wholesalers and a minimum of $50 if a firm operated at a loss for the year. In Delaware, unincorporated manufacturers and merchants pay 1% of gross income but wholesalers pay only .025%, while in Missouri under the state law Kansas City and St. Louis levy 1/10% tax on turnover of manufacturers and retailers only.

Chain distribution has expanded at a tremendous rate during the last two years, and so has agitation against the chains. But one out of four state legislatures was in session during 1929-30. It is expected that the 1930-31 legislative season, with over 30 state legislatures in session, will produce a number of additional attempts at levying special taxes upon chain systems.

Ready-Wired Lamp Parts Save Shipping Costs

DEPARTING radically from all prior practice, The Miller Co., Meriden, Conn., has perfected a new type of ready-wired interchangeable make-up parts for table, desk, and floor lamps that permits instant mounting and dismounting in many combinations without need of special tools or additional fittings.

Heretofore practically all types of lamps have had to be wired by the

Wide World

KENNETH MAKES A MUD PIE

Kenneth Straus, looking like something out of A. A. Milne, does a good job with the mortar as the cornerstone is laid for the 17-story annex which makes Macy's the largest retail store in the world. Kenneth's grandfather, Jesse I. Straus, president of Macy's, looks on

Iron Sponge

The $12,000,000 plant of the A. M. Byers Co. at Economy, Pa., officially opened Oct. 8, makes wrought iron by the Aston process. This 3-ton sponge of wrought iron, made in a minute, is double the daily production of two hand-puddlers. Here, it is dumped, white hot, into the great 900-ton press which squeezes out excess slag, converts it into a bloom

tedious process of drawing fine fixture wire from the base through the stem to the socket.

In the Udezine lamp units conductor wires, carried in fibre-insulated tubing, are permanently attached to the terminal fitting at the end of each of the 67 different units, which can be used in 4,750 style combinations. Excepting a few types of base units, all finished parts are of brass.

Important savings in packing expense, freight, and warehouse space are effected, Udezine lamp parts taking about one tenth the shipping space needed for the same lamps if shipped assembled.

Distribution is from maker to retailer, department stores, central stations.

Trade Associations Protest Restrictions on House-Cleaning

DIRECTORS and attorneys of trade associations which have held trade practice conferences with the Federal Trade Commission met at Niagara Falls, Ont., last week, voiced caustic criticism of the present status of the trade practice conference procedure, unanimously adopted resolutions definitely expressing their opinion as to what the commission can and should do, formed a permanent organization to keep these opinions before business.

Resolutions adopted by the meeting protested against blanket revisions of trade practice codes and called for specific study of individual violations before changes are made; requested that the commission be empowered to investigate alleged violations and be provided with adequate funds and personnel for so doing; demanded that the commission should neither reject nor alter a rule until the proposed alteration or substitute rule has been approved by the affected industry.

The trade practice conference activities of the Federal Trade Commission, begun in 1926 without express legislative sanction, to help business readjust itself to changing competitive conditions, have been almost continually in difficulties. They started on the assumption that self-government rules adopted by an industry and approved by the commission could be enforced by the commission.

The first severe blow to the plan came last fall when in the Shade Shop case, the Supreme Court held that the commission has no authority to docket a case in which there is no public interest. To the courts was reserved the right to determine what "public interest" is, and the decision indicated that practices which only affect the internal operation of an industry can be no concern of the commission (*The Business Week*, Nov. 2, 1929).

Mr. O'Brian Intervenes

About this time, the Department of Justice under John Lord O'Brian, assistant to the attorney-general, became actively interested in trade practice codes. Investigation showed that, under cover of codes approved by the commission, a number of industries were engaged in activities in direct violation of the Clayton Act. Other Supreme Court decisions held that the question of unfair competition was a legal question to be determined by the courts and not by the commission; that the courts are not bound by the commission's findings of fact. As a result of this legal and judicial pressure, late in April the commission entirely restated its trade practice policy (*The Business Week*, April 30).

In fairness to the commission it should be said that the courts and the legal fraternity generally never have regarded the quasi-judicial body with full approval.

To Revise All Codes

Under its new policy the commission decided to confine itself to forbidding only those practices which are actually illegal; no longer to sponsor regulations which are merely unethical or disadvantageous to the trade as a whole, and requested that all trade practices codes hitherto approved be submitted for revision to accord with this new policy.

The trade associations commonly blamed John Lord O'Brian for this development but in a talk to trade association executives shortly afterward, Mr. O'Brian said that the Department of Justice approved trade practice codes in principle and was only concerned when they were distorted to indicate federal sanction for discrimination, monopoly and price fixing.

At the request of trade associations the commission postponed the date for announcing revised codes and agreed that hearings on them would be permitted from Sept. 25 to Oct. 25. The practical effect of these revisions and the stand that trade associations should take toward them was the object of the meeting held in Niagara Falls.

F. W. Swanson, president and commissioner, National Plumbing & Heating Institute, as chairman, told the meeting that the new attitude of the Federal Trade Commission restricting the scope of trade practice conferences is inconsistent with the position taken by the commission upon its organization; that the commission is now placing reliance upon Sections 2 and 3 of the Clayton Act instead of upon Section 5 of the Federal Trade Commission Act; that it confuses trade rules with statutory acts, is altogether too legalistic.

Mr. Swanson pointed out that while the Clayton Act prohibited unfair trade practices only when they result in lessened competition and restraint of trade, Section 5 of the act creating the commission permits it to prohibit unfair practices before they result in restraint.

Abram F. Myers, former Federal Trade Commissioner, also maintained that the Commission Act clearly permitted the anticipation of unfair trade practices, can see no excuse for the commission's objection to "Group 2" rules unless they relate to practices which are obviously illegal. He pointed out that they are adopted for the internal regulation of an industry and asked why the commission now wants to alter or eliminate many of these rules which previously had its approval —some as far back as 2 years ago.

Washington is inclined to interpret the Niagara Falls resolutions as an attempt to go over the head of the Trade Commission to compel the attention of President Hoover, who, as Secretary of Commerce, was hailed as champion of trade associations.

Middle-West's $22.50 Suit Is Trying to Decide What to Do

THE $22.50 suit, to Middle Western clothing almost what Ford is to automobiles, is trying to make up its mind what to do. Fabrics have gone down in cost and manufacturing efficiency has gone up to such extent that the price would have been cut long ago, except that "$22.50" has been too firmly built into the merchandising structure.

For the time being the manufacturers are buying better fabrics, but the opinion in some parts of the trade is that the price will be cut sooner or later and a new level established, possibly $19.50. Meanwhile, in October, one maker will bring out a $22.50 overcoat made of pure camel's hair costing $3.25 a yard.

The Richman Bros. Co. of Cleveland, originator of the $22.50 suit, opened in Louisville, Ky. on Oct. 4 the fifty-seventh store of its chain, making 17 new ones so far this year. This is more than twice as many as Richman has opened in any other year of its history. The business is nearly 75 years old, but the combination of ideas which propelled it into the position of world's largest clothing manufacturer was hit upon only since the war.

2,500 Workers in Cleveland

The Richmans combined chain stores, a mail order business, the easily popularized single price, a practice of trading up in fabric quality as buying power increased, Fordized specialization in production within the plant, and a more or less automatic flow of work. The company has 3,800 employees, of whom 2,500 are housed in a single Cleveland factory. This factory is understood to turn out about 20,000 garments weekly.

Other concerns have tried one or another or a combination of these methods with varying success, but the Richmans hit upon them at just the right time. The three active heads of the company, Nathan G., Charles L., and Henry C. Richman, the eldest 62, share the credit with a banking group which brought in production and merchandising ideas from other industries. They and their factory-chain competitors represent what is undoubtedly the outstanding development in the men's clothing industry since the coming of "ready-mades" after the Civil War.

Acme

ROCKEFELLER ROW

Some of the 81 homes built by the Rockefellers in East Cleveland. Unlike the Van Sweringen development at Shaker Heights, large-scale production methods were used to build the best possible house for $20,000. Undoubted superiority of construction is offset to some extent by unfortunate uniformity

Another large factory-owned chain in the single price group, the Sherman Stores Co., has cut its price to $19.50, a level which Richman has twice occupied in former years. Joseph & Feiss, which has a connection with the Midwestern Kibler chain, continues at $22.50, with subordinate lines at other figures, but begins to cut prices through special sales. Bloch Co. of Cleveland, an old uniform maker, shifted gears and joined the chain store group through Finsterwald of Detroit on the $23.50 level. A. Nash Co. of Cincinnati, founded by the late "Golden Rule" Nash, had a success as phenomenal as Richmans' in combining mail order and chain store merchandising with price lines at $19.50, $23.50, $29.50, and $35.

The stability of men's styles has made possible in these plants the development of specialized pressing and sewing machinery and of high manual skill in the single operation. Most of the employees are women and most of them are trained within the plant, as in any other of the mechanized industries. Unions find them hard to organize. Every one of Richmans' employees is a stockholder. Original employees' shares cost $16.67, were split up four times, would now be worth more than $1,000. Many of the workers are financially independent.

Store managers of these factory-owned chains tend to come from the plant. Richman and Nash practice is to open sales territory by house-to-house canvassers, next to put in a service station, and finally to start a branch store, retaining at the same time the circularization and canvassers. In the aggregate there are several hundred chain clothing stores in the $22.50 and adjacent ranges, and the oldtime law of diminishing returns begins to apply to the quality of the territory still available. The price figures are so heavily publicized that any change in them becomes important.

Furniture Industry Sees Big Merger; Needs More

FINALLY completing negotiations which have been pending some months (*The Business Week*, Aug. 13), 13 Pacific Coast furniture makers, with 16 production units and 1929 sales of $8 millions have formed the Furniture Corp. of America, capitalized for $20 millions, start operation with assets of about $9 millions. This third largest furniture manufacturing company in the

Acme Nailless Band

Saves Shipper 42 cents a box or 29%
25 Pounds in Weight or 40%

Here is a concrete example showing the actual dollar and cents savings that many shippers are realizing through the use of Acme Nailless Band, which permits reduction of lumber in boxes and crates.

	Old Box	New Box	Saving
Cost	$1.48	$1.053	$ .427
Weight	62 lbs.	37 lbs.	25 lbs.

The box formerly used by a manufacturer for shipping 120 pounds of framed mirrors cost $1.48 and weighed 62 pounds. It was not giving satisfactory service despite its heavy construction.

The present box, reinforced with two tempered Acme Nailless Bands, is 25 pounds lighter, costs 42 cents less, and is much stronger. Damage claims have been entirely eliminated.

The services of the Acme Container Testing Laboratory are extended free of charge to any manufacturer who would like to check up on his shipping packages with an eye to economy and greater safety to his products.

SAVE WITH STEEL

39

1880 ACME STEEL COMPANY 1930
OUR GOLDEN ANNIVERSARY

General Offices: 2832 Archer Avenue, Chicago. *Branches in Principal Cities.*

Oil Burner Costs
Reduced 30%

COSTS CAN BE REDUCED

"Increase in net profits must be found somewhere between the receiving room and the shipping platform. Cut manufacturing costs and use the savings for selling."

This line of thought has influenced many manufacturers to use pressed steel. In one instance a 24.5 pound part was reduced to 8.5 pounds and this 65.3 per cent weight reduction was actually translated into 30 per cent production savings. Strength was increased, breakage eliminated, no machining required.

In the new book, "Adventures in Redesign," shown above, there are eighteen FACT stories, showing how YPS Redevelopment Engineers have helped make similar reductions in production costs for manufacturers in different industries.

This book is FREE and it tells how you can use this redevelopment service without the expenditure of a single dollar—without the slightest obligation. Pin the coupon to your business letterhead.

ADVENTURES IN REDESIGN

YPS

"PRESS IT FROM STEEL INSTEAD"

THE YOUNGSTOWN PRESSED STEEL COMPANY
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Please send me a copy of your new FREE book, "Adventures in Redesign."

Name.. *Title*..............................

....

United States, largest concern making all lines of furniture, has established headquarters at Portland, Ore.

Component companies located at Tacoma (1), Seattle (1), Spokane (2), Portland (4), Oakland (1), Los Angeles (7) have facilities for making all types of furniture for the home, mattresses, bedding, rugs, can draw from their own timber reserves, enjoy established markets in the Western States, Hawaii, Alaska, and British Columbia.

To promote sales in Los Angeles and San Francisco, the company's 2 most concentrated markets, and to handle export orders, separate factories making the full line are to be established at those points. Present production facilities of the various units will be maintained intact. Economies in distribution through consolidated sales effort, broad-gauge development of domestic and foreign markets, are expected to have an immediately favorable effect upon earning records.

This consolidation makes a slight dent in the number of concerns in the furniture business but with about 3,000 of them in operation currently at about 40% capacity many more must eventually be consolidated or wiped out. In addition to excessive capacity, huge inventories, and weakened prices, the industry has suffered greatly from design pirating by which unscrupulous producers imitate quality designs in cheap materials and destroy public confidence in all furniture.

Taxicab Maker Buys Control of Operator

PRODUCTION and operation of taxicabs were combined last week in the purchase by the Checker Cab Manufacturing Corp. of a controlling interest in Parmelee Transportation Co. The system will operate 10,000 taxis.

Parmelee is a holding company behind the scenes in many a taxi business, especially in the Yellow cab services of major cities. Formerly a purchaser of General Motors products, Parmelee lately has been buying most of the replacements to its fleet from Checker. Shortly after this shift in allegiance, a General Motors subsidiary gained exclusive franchise over some of New York's most lucrative terminal entries.

Parmelee has 85% interest in the New York Yellow Cab Co. and 30% in the Chicago Yellows. In addition, it handles the well-known inter-station bus and baggage service in Chicago, taxis in Pittsburgh and Cleveland.

Automobile Dealers Gain By Reduction in Stocks

Industry Watches for Signs of Fall Upturn And Discusses Prospect of New Mergers

THE automobile industry believes that September may have shown an improvement in sales conditions. No official figures are yet available but scattered reports from various sections of the country and from individual manufacturers indicate that the month's sales held up so well that they may equal or exceed those of August, reversing usual seasonal trends.

August registered sharp declines, not only from records of the previous month but from those of the same month in the last 4 or 5 years. Based on still incomplete reports, sales in August were 20% below those of July and 50% below August, 1929. The usual seasonal trend drops August sales not more than 2% or 3% below July, so a fall of 20% was particularly discouraging.

Since August production of 187,000 cars in the United States was somewhat less than the estimated sales for the month, dealers' stocks have been held down. Considerable comment has been made on the August report of General Motors sales which indicated that during the first 8 months of this year its dealer stocks have increased but 2,000 whereas during the same period last year they increased 87,000. For the industry as a whole the improvement in stocks has been even more marked.

Net Reduction, 58,000

Estimates based on statistical calculations place stocks in dealers' hands on Aug. 1 at about 340,000 as compared with nearly 500,000 one year ago. During January and February stocks were increased 70,000; since then they have been reduced 128,000, making a net reduction of 58,000 which amounts approximately to relieving every dealer of one car he was carrying at the beginning of the year.

With production and sales slipping and with little prospect for definite improvement during the next few months, it is significant that *Automotive Industries* discusses the likelihood of the disappearance of many small manufacturing companies within the next year or two. In 1924 Ford, General Motors and Chrysler built 67% of all passenger cars; during the first half of 1930 they made 84%. The remaining 16% of the business is divided among 26 concerns which, including such strong companies as Studebaker, Hudson, Nash, indicates that many of the 26 are living on pretty meagre fare.

Reviewing past trends, *Automotive Industries* discovers that during the last 6 business depressions, from 1907 to 1927 inclusive, 81 automobile concerns went out of business; that the major mergers of the industry were made during the closing periods of these depressions. These facts, and the obvious one that many companies now compelled to operate almost on a custom basis must either join with other factories or get out of business entirely, leads the journal to predict new alignments of control, new financing, and possibly new leaders.

Wide World

CRUNCH!

The last step in the Ford demolition-line. After everything useful has been stripped from the junk cars, they are squashed flat, then stuffed into the furnace

Swiss Deal May Close Polish Truck Market

VIRTUAL elimination of United States motor trucks from the Polish market is seen in the consummation of negotiations between the Military Engineering Works of Poland and the Saurer Motor Co. of Switzerland. The Polish government will purchase from Saurer a license to make its trucks and, coincidentally, a Swiss banking group—L'Union de Banques Suisses—will grant a $1 million, 2-year loan to the Military Engineering Works for modernization of the plant recently taken over from the Ursus Motor Truck Co.

The Poles have attempted to make similar deals with Fiat, Lancia, Austin, Skoda, Dion Bouton, White, and Chrysler. The object has been to arrange for the manufacture of a good Polish truck, following which custom duties were expected to be raised to prohibitive levels.

Offers by the Chrysler Corp.—Polish advices mention a loan of several million dollars and a deal for chassis with the Warsaw municipality—and Dion Bouton of France were turned down, it is understood, because they called for the purchase of foreign chassis until the new plant could be placed in operation. The Military Engineering Works wished an all-Polish truck at once so accepted the Saurer offer which contained no such provision.

Certain portions of the Polish press do not approve the deal because Saurer is affiliated with German interests.

George K. Morrow, Sales Doctor, Specializes in Operations

Ward Baking Co. Shies at the Knife That Let The Red Ink out of United Cigar Stores

GEORGE K. MORROW is in the business news again.

The battle for the control of the Ward Baking Co. waxes hot. Leading the attackers is the formidable Mr. Morrow, who heads Gold Dust, United Cigar Stores, and other powerful corporations. Mr. Morrow said in one of his rare interviews that his group has never been defeated. That might explain the slightly nervous note that creeps into the statements issued by the Ward officials to stockholders.

Shock of Two Deaths

In discussing the proposal to call a meeting for the attempted election of an entirely different board, the Ward directors declare feelingly that in times of depression "there will appear designing individuals who seek to stir up dissension and seize upon it to accomplish selfish ends." During the last two years the concern endured "the shock of sudden changes in leadership of the company caused by the deaths of William B. Ward, when president, and Charles A. Ward when acting as chairman of the board."

Evidence is submitted to show that the position of the company is unshaken. The statement was signed by Ralph S. Kent, president, and members of his board of directors. George B. Smith, a former president of the company, who backs Mr. Morrow's plan to install a new management, alleges that the incumbent executives have demoralized the morale of the employees and have been able to make a good showing on paper because they cut the annual write-off for depreciation from $2,000,000 to a little over one million.

"Never Beaten"

While these metaphorical pies fly back and forth, Mr. George K. Morrow remains somewhere in the background, shadowy, aloof, but—you may depend upon it—not idle. The statement that he has never been beaten is backed by the facts. He has come to be looked upon as a skilled physician to ailing companies. Usually his patient is a huge corporation with a well advertised article which is firmly installed in the affections of the public. His theory is that serious ills call for serious remedies. As an amputator of dead and useless members he is a master. Bankers are great admirers of his work. Typical is the manner in which he reorganized the United Cigar Stores.

August saw the first anniversary of Morrow control. During the interval Morrow management has brought the company out of the red ink. Under the Whelan régime a $200-million company had been built up, but it had begun to lose money. Any one who knew the company of old can visit the present headquarters of United Cigars and see the rejuvenation.

Back in the careless past, the company occupied the whole of a 12-story office building. This structure was honeycombed with dark and restful private offices, soothing alcoves which invited one to pleasant contemplation. On rainy days, salesmen adored it. If they were of the favored circle they planted themselves on cushioned chairs and passed the hours pleasantly.

Acme

GEORGE K. MORROW

All that is sadly changed. Mr. Morrow is a great believer in open floors and sunlight. Instead of their former 12-story home, the company now occupies two floors of a well-lighted office building. Fifteen-thousand-a-year executives sit right out in the open where they can see and be seen. There is not a dark corner in the place. Most painful is the change in the attitude toward meeting salesmen.

Cushioned Chairs Gone

The cushioned chairs are gone. Salesmen are welcomed but not encouraged to linger. They are not even allowed to sit down. Instead, the buyer leaves his desk and all conversation is carried on standing, the two being separated by chest-high steel files.

"The saving of time is only one item," explains a devotee of the new era. "Naturally a man will tell his story more quickly if he is on his feet. Also, the buyer is away from his desk and can concentrate without being constantly interrupted by the telephone."

No paternalism softened the United's attitude toward its own salesmen. The management let it be known that hindenders would have to be dropped and the knowledge had a remarkably healthy effect on sales. A successful experiment has been the combination of cigar stores and the subsidiary Happiness candy stores in certain localities. There one can reach for a Lucky and a sweet at the same time.

A Morgan Man?

George Kenan Morrow is known "downtown" as a Morgan man. Mr. Morrow's cronies deny he belongs to the Morgans. They say he is his own boss and gets his backing where he can obtain the best terms. The Morgan connection was naturally suggested by the presence in that firm of the Hon. Dwight Morrow, no relation of George Kenan.

The name is one of the few things they have in common. The Hon. Dwight Morrow has arrived at the point where he likes to make a speech; George Kenan abhors orating and has seldom been known to expound from rostrum or banquet table.

"If he did make a speech," says one of his friends, "no one could hear it."

This Mr. Morrow is a man of extremely few words and those are relinquished in a tone that is little better than a whisper. He never tells funny stories, but he has a wit that is dry and laconic. He has a towering physique that gives one the impression of muscle rather than of bulk. Formerly he was a golf addict. His games now are few and far between. One of his favorite relaxations is to walk the eighteen holes with friends who are playing. His taciturnity makes him a popular gallery.

Likes the Water

The Morrow home is Malba, Long Island. He recently bought the old Havemeyer estate near that town. The price was said to have been $400,000 and the payment cash. He loves sea water and has a fine yacht on which he spends a lot of time. Busy as he is, Mr. Morrow is not numbered among the executives who feel that their interests will go to the devil unless they are on the job every day of the year. In the winter he goes to Florida and stays until he wants to come home.

Though he lives on Long Island and is a yachtsman, Mr. Morrow frowns on drink. Perhaps because he was born in Canada, which is famous for a grim faith in law-enforcement.

George Kenan Morrow was born on a farm at Alliston, Ont., Sept. 10, 1873. He was a student at St. Michael's College, Toronto. Larger opportunities drew him to the United States in 1894. In Chicago he worked for Swift & Co., and later as a salesman for Quaker Oats. Eight years later he came to New York and started a merchant brokerage business. His first feat of reorganization was with the American Cotton Oil Co., of which he became president in 1923. The Gold Dust Corp. was a subsidiary. In the Morrow set-up the value of the packaged and advertised commodities was recognized. He made the subsidiary Gold Dust the parent company of the group. Other large companies which he heads are the Warner Sugar Corp., and the Miranda Sugar Corp. of Cuba. He has large interests in the Harriman National Bank, Gobel Company, Inc., General Stock Yards Corp., Equitable Trust Co., Remington Typewriter Co. Besides, he controls a varied number of Canadian corporations.

When Mr. Morrow speaks of "we" he is likely to mean his brothers. There are three of them: Frederick K., T. A., and Charles. They are a canny clan. Among them is found a rare combination of merchandising, executive, and financial skill. They are believers in advertising. But their chief puts it on the basis which he uses to judge a man or a factory—it must produce.

COÖPERATING WITH BUILDERS OF AMERICAN BUSINESS

IN THE PORT OF LONDON

A cargo of wheat being discharged by the suction-pump method. London, the Empire's capital, is also a great commercial port. In this city three complete Guaranty Offices serve the interests of the Company's customers.

THE Guaranty Trust Company supplies banking credit and service for a substantial part of American exports, affording exceptional financial facilities in connection with the handling and development of American business with foreign countries.

Guaranty Trust Company of New York

140 Broadway

LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

CAPITAL, SURPLUS AND UNDIVIDED PROFITS MORE THAN $295,000,000

RETAIL FURNITURE
FURNITURE MANUFACTURING

In these days of "STORE-DOOR" DELIVERY

It is fortunate that the Furniture industry has mechanized itself so completely, now that branch plants are essential in each major market. For in the old handicraft days the task of training branch-plant help would have forbidden the development.

But today a skeleton crew and the necessary machinery can be set down in any favorable location—and put to work with a minimum of delay.

The problem has resolved itself into a search for the *best* location in each market area.

In the South, Georgia offers the strategic location from which to serve the trade best, and at which to produce most economically. Georgia labor is intelligent, willing, and inherently skillful. Its quality is an aid to success for any industry. Other factors are equally helpful—low taxes, cheap fuel, low-cost buildings, and many more swelling the total.

But above all, Georgia offers great reserves of timber—and a reforestation rate which assures constant supply. It is this factor, plus the urgent importance of producing close to the market, which is building furniture plants here.

Similarly, Georgia offers opportunity for profits to many other industries, and executives in all fields may secure detailed and unprejudiced data by writing the Industrial Department, Georgia Power Company, either at the New York office, care The Commonwealth & Southern Corporation, 20 Pine street, or direct to the home office, Electric building, Atlanta, Ga.

GEORGIA POWER COMPANY

INDUSTRY PROSPERS IN GEORGIA

Savings Banks Draw Commercial Funds

SAVINGS banks in New York City are reducing interest paid depositors from 4½%, the rate that became general in 1928, to 4%. Reasons given are the rise in high class bonds, reducing the yield; also low yield on real estate mortgages, averaging 5½%.

There is a third reason: increasing abuse of the savings banks by small business men. They have made "savings" deposits in considerable volume, partly of funds idle because trade has been slack, partly of active funds, because interest on checking balances has been reduced this year by commercial banks.

The savings banks are troubled by this. The active business accounts, with their daily transactions, multiply bookkeeping costs. Furthermore, the savings banks have the natural conviction that these funds may be withdrawn at any time, hence cannot well be invested in long-term securities.

Of course the 30-day notice rule could be invoked against withdrawals, but for obvious reasons banks would use it only as a last resort.

Legal limit on savings deposits in one account is $7,500. Business men have been depositing the maximum under various names, or in several banks. The Seaman's Bank for Savings has announced it will not accept deposits of more than $1,000 in any one account within any 3-month period.

Display Space Is Newest Form of Bank Loan

COUNTING on gaining increased customer-support through voluntary sales cooperation, The Hartford-Connecticut Trust Co. has reserved a corner of its banking rooms as free display space for depositors who have merchandise they wish to sell.

Ample room for attractive presentation is provided with necessary furniture; use of suitable decorative material is permitted; circulars may be distributed, any customer can use this space as an auxiliary show-room for 2 week a year, profit by the banking atmosphere of dependability.

While other banks have permitted use of show windows for product displays, the donating of show-room facilities on the banking floor marks an advance in banker-depositor cooperation, may find many imitators.

First Retail Data from Census Picture Contrasting Markets

Value of Distribution Survey to Business Is Shown in Reports in El Paso and Trenton

PRELIMINARY in nature, still incomplete, with figures considerably abridged, first 1930 census reports on retail distribution, covering the cities of El Paso, Tex., (1930 pop., 101,975) and Trenton, N. J., (1930 pop., 122,610) present interesting data and some inconsistencies.

Undoubtedly, design rather than accident was responsible for having these first releases cover cities widely separated geographically, different in climate, history, and surroundings; one, the center of a huge agricultural trading territory, the other of a small, highly industrialized suburban area.

How Food Sales Rank

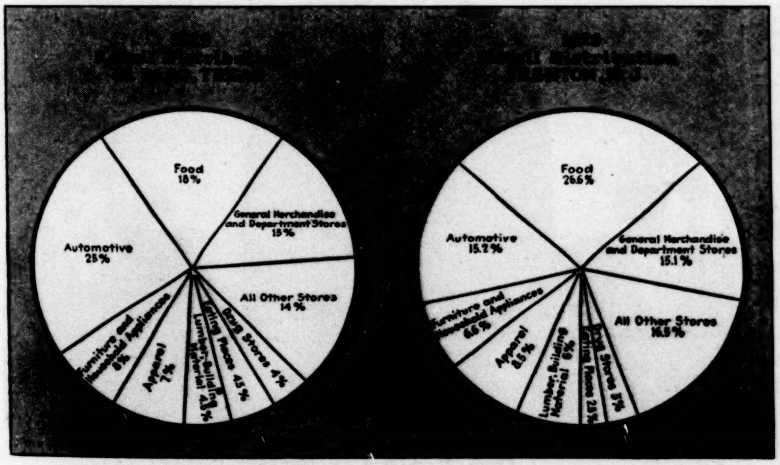
Distribution of retail sales volume of the 2 cities is shown in accompanying charts. Food sales, generally considered the largest in the retail list, are, in El Paso, second in volume, representing 18%, while—probably due to the vaster distances with which Texans must cope—the automotive group is first with 25%. In Trenton, located in a more moderate climate producing less moderate appetites, food sales head the list with 26.6%, automotive sales showing next with 15.2%.

The 2 cities present a wide contrast in degree of chain store penetration. Situated on the border of the New York metropolitan area, where chain retailing has supposedly reached its greatest strength, Trenton has 132 chain grocery stores doing 54% of the total volume, averaging sales of $47,208 annually per store, $15,696 per employee, while 401 independent grocers obtain but 46% of the business, average but $13,277 per store.

El Paso, in a territory where food chains are not yet popularly accepted, are frequently attacked, has only 26 chain grocery stores obtaining only 18.2% of total volume although annual sales are high, averaging $63,480 per store, $17,748 per employee. The city's 519 independent grocers, accounting for 81.8% of total business, average only $14,285 per year, 20% less than each employee in El Paso's chain stores.

Apparently most of the Southern resentment against chains is focussed upon food chains, for in other retail lines chain stores seem to command larger slices of El Paso's total volume.

For instance, drug chains with but 6 outlets secure 23.5% of total, average $80,316 annual sales per store, while 46 independent druggists divide the remaining 76.5%, average $33,721 a year, although those independents show an average sales per employee almost 20% higher than the chains—$7,717 against the chains' $6,425.



DISTRIBUTION OF RETAIL SALES VOLUME

The Department of Commerce, in its census of distribution, maps the sales of two cities

Chain lumber and building materials establishments get 26.2% of El Paso's total volume of trade in these lines; furniture chains, 21.1% of theirs. Thus, in every branch of the city's retail trade invaded by the chain systems on which separate census figures are available, the chains are shown to have greater percentages of the total than in the grocery field.

In Trenton, however, only shoe store chains obtain a greater percentage of total volume than do the food chains. Furthermore, while in all other retail lines the chains' sales volume per unit greatly exceeds independent performance, Trenton filling stations reverse this record, independents averaging $29,592 annual sales, account for 50% of the total, while chains to get the other half operate 10 more stations, average but $23,653 each.

A National Trend?

Extraordinarily significant is the analysis of sales distribution in the general merchandise group comprising department stores, dry good stores, general merchandise, army and navy, variety 5¢ & 10¢ to $1.00 stores, figures from both cities are sufficiently alike to suggest that they may prove indicative of a national trend. El Paso's 7 department stores account for 81% of the volume in this group, Trenton's 10 stores obtain 78.4%. The bulk of the remaining sales goes to 5¢ & 10¢ to $1.00 stores. In El Paso 4 of these total 13.5%, in Trenton, also with 4, they take an even 10%.

Thus 15 other small stores in El Paso account for 5.5% of the volume, average $26,637 in annual sales. In Trenton the 11.6% still unaccounted for is divided amongst 76 other stores, giving each store but $16,101 sales per year.

Interesting Differences

Trenton's 19 radio stores average $42,093 annual sales against 1½ times the volume, $109,096 for each of El Paso's 7. Similarly, hardware stores in El Paso do about $10,000 more per year than those in Trenton, averaging $27,420 against $16,948 in the New Jersey capital. Sales in feed, implement, and farm supply stores reflect the different character of surrounding territory, El Paso's 9 stores averaging $76,652 against but $59,718 for Trenton's 7.

The importance of automotive trans-

Management!

That's the biggest need of business today . . .

¶ ***Management gives freedom from routine.*** **Ediphones clear desks of details. They enable dictators to reply to their correspondence after a single reading.**

¶ ***Management creates time gain.*** **The average dictator will gain a month a year by using Ediphones for his dictation.**

¶ ***Management accomplishes reduction of overhead.*** **Under old dictating methods a letter may cost 50¢. With Ediphone signature service, this cost is easily cut in half.**

¶ ***Management uses the latest business equipment.*** **Ediphone dictation is as simple as telephoning. You simply pick up the receiver and talk.**

TODAY, after fifty-three years, a world-wide service headed by Thomas A. Edison will assume full responsibility to organize your present office forces without interruption to business and without charge in proving results. Telephone "The Ediphone," your city, today. Send for the book, "An easy way to chart your correspondence."

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portation in Texas' wide open spaces is effectively reflected in the breakdown of the automotive retail group figures. El Paso, with 3 fewer establishments than Trenton, has 277 more employees in this line; does $2,120,000 more business, carries $291,000 more inventories, pays $259,000 more in wages. El Paso's 19 automobile sales establishments (not including used car places) took in $8,905,317 a year or an average of $468,700 each, while Trenton's 27 averaged but $248,668. Yet Trenton's 129 filling stations and garages average $21,747 yearly against $18,645 for El Paso's 136.

The comparative importance of dress is shown in the sales records of the apparel group. In El Paso, a shopping city serving a large area, the 22 men's apparel stores and the 5 women's dress and ready-to-wear shops did almost equal volume, averaging $63,841 and $64,872 respectively, while in Trenton, an industrial city, with retail stores serving chiefly local and suburban population, the 52 men's shops averaged but $45,780 against the 22 women's shops average of $67,665 per year.

Final reports from the Department of Commerce on these two cities and early releases will furnish additional data, permit more conclusive analyses, provide firmer ground for establishing guiding principles. Estimates put the number of retail outlets in the country at 1,800,000, while figures now tabulated show 800,000 retailers in cities of over 10,000 alone. There are over 1,750,000 Census of Distribution schedules in hand with numerous chain store schedules still outstanding.

Consumer, 1930 Model, Is Older, Moves Oftener, to Smaller Home

OPENING with the challenging statement that labor cost in distribution has increased 50% in 20 years—from every ninth dollar of every retail sale then, to every sixth dollar now—the Boston Conference on Retail Distribution was a retailers' "Williamstown."

The consumer was dissected, X-rayed, microscoped, shown to be changing rapidly in age-average, habits, likings. The decreasing birthrate means decreasing markets for children's necessities, toys, clothing, food. Increased longevity, declining deathrate, expands markets for adult goods beyond the normal increase in living standards.

International News

OPEN RETAIL CONFERENCE

A. Lincoln Filene (left) chairman of the Boston apparel store, and Rudolph Spreckels (right) Pacific coast sugar manufacturer, listen to Victor M. Cutter, president of United Fruit, as he calls the meeting to order

Fewer families own homes. Apartment houses in 1928 provided 53.7% of total building permits in principal cities against but 24.4% in 1921, while individual dwelling permits dropped from 58.3% in 1921 to but 35.2% in 1928.

Moving is becoming a national pastime, it increases 4 times faster than population. Since 1925 the moving habit has grown 6% a year. Of the Bell system's 8,553,000 residence telephones, 1,113,000 (1 in 8) were moved in 1929. The trend forecasts that by 1935, 1 in 6 families will move each year.

Smaller Homes Nowadays

While moving habits should make business better in certain lines—housefurnishings, furniture, draperies, floor coverings—such benefits are partly offset by the declining average size of homes. Parlors are disappearing, spare or guests rooms grow fewer, servants' quarters are less common, all rooms grow smaller, ceilings lower, dwellings more cramped in every way.

Certain retail markets are shrunk by more complete built-in conveniences in homes: stoves, heaters, light fixtures, kitchen cabinets, refrigerators, mirrors, ironing boards, even built-in beds and wardrobes.

Other markets are expanded due to decreased home industries — sewing, knitting, laundering, baking, cooking—while makers of appliances and utensils formerly used at home for those purposes lose.

The Chain Store Issue

Chain store distribution was attacked, and charged with making Chain street out of Main street, using robots instead of merchants, over-playing price appeal, cutting sizes and assortments, ignoring new goods, lacking courtesy and foresight in catering to its $350,000-per-minute $53-billion-per-year woman consumer market.

Proponents replied that the chains filled an economic need, reduced price levels, improved standards of living through broader distribution. Chains asserted that growth will further continue, will shift from increase in numbers to improvement in size, diversification, usefulness of existing units of their organizations.

Mortality rate among independent grocery stores is 24% in Louisville, Ky., averages 26% in Lincoln, Neb., 35.9% in Buffalo, N. Y.

Estimates show wholesalers and manufacturers lose $80 millions annually in retail failures, while $170 millions more are lost each year by equipment dealers, banks, loan companies, individuals.

In Again, Out Again

Failures occur somewhat in proportion to new entries into the same field, and a survey in Buffalo disclosed that in 1918-1928 but 40% of new grocers, 54% of new hardware dealers, 65% of new shoe dealers, and 74% of new drug stores were started out with enough capital or enough managerial ability to stay in business over one year from the time they first opened their doors.

Legal price-fixing is condemned by the chain and department stores, held to increase costs, reduce buying, suggested as proper only when manufacturers own and operate their own retail outlets.

Food distribution, estimated to involve $20 billions, travels 35% through national chains, 25% through voluntary chains, and 40% through independents.

INDUSTRIAL ADVERTISING

REACHES MAN-SIZE STATURE

Epochal changes have transformed industrial markets in the last decade. Products and processes in common use only ten years ago are obsolete now. Selling methods and buying practices successful in 1910, are ineffective in 1930.

Revolutionary as many of these changes have been, Industrial Advertising is keeping step with them. Old, time-honored ideas are giving way to others that are dramatic, forceful, and convincing. This newer Industrial Advertising is penetrating the innermost strongholds of the men who rule industry. It is exploring and tapping new markets —new sources of business. It is developing new possibilities in old sales areas.

Men with wide industrial marketing and sales experience are studying and analyzing present and prospective markets. Others, thoroughly trained in selling and advertising industrial products, plan and carry through programs designed to meet the special needs of the advertiser.

Thoughtfully planned and executed Industrial Advertising is recognized as an indispensable factor in the success of manufacturers in the first rank of industry. It has indeed grown to "Man-size Stature."

RICKARD AND COMPANY, INC.
Graybar Building, 420 Lexington Ave., New York

INDUSTRIAL ADVERTISING SINCE 1912

ANALYSIS OF POLICIES IMPORTANT

Says Thompson & Lichtner Executive

The Vice-President and Treasurer of the Thompson and Lichtner Company, well-known firm of industrial engineers, in referring to company policies recently said:

". . . Few concerns put their policies in writing, and exceptionally few base their policies on definite facts . . . When policies which govern a business are subjected to thorough analysis, startling facts are often revealed. Analysis of policies properly conducted by disinterested parties frequently has far-reaching effects . . . Analysis of policies is a necessary part of the engineer's work. A man with sufficient background for the work is seldom available within the organization under study . . ."

In just such problems the Thompson and Lichtner Company have become expert. Their work has been praised by industrial leaders in every field. Studies or surveys have been made for such organizations as the Hoover Committee on Elimination of Waste in Industry, U. S. Coal Commission, New England Council, Boston Chamber of Commerce, U. S. Rubber Company the Stetson Shoe Company and Forbes Lithograph Co.

They are technical advisers of the Management Engineering Bureau of the National Association of Manufacturers.

The coupon below will bring you the T. & L. booklet, "PROFITS versus PRICE-CUTTING," as well as full details of the nation's foremost engineering service. It may be the key to new opportunities and a re-awakening of your business.

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Please send me your booklet, "PROFITS versus PRICE-CUTTING," as well as full details of your service.

Firm Name . . . .

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Address . . . .

No News is Good News For Canadian Newsprint

FROM a troubled present, the Canadian pulp and paper industry looks darkly into an uncertain future. The somewhat dramatic withdrawal of Col. John H. Price, president of Price Brothers & Co., Ltd.—large Canadian newsprint manufacturers—from the chairmanship of the Newsprint Institute of Canada is an eruption from the trouble, not an aggravation of it.

His resignation is reported to have been caused by the sale to the Hearst newspapers of a stock interest in Canada Power & Paper and his belief that similar offers were being made to other American publishers as a contract inducement. While no information is available as to what rule of the institute this action violates, it is assumed that Col. Price regarded this extra offering as a menace to the prosperity of his concern.

Faces Many Obstacles

The Newsprint Bureau came into being some months ago to provide machinery for private agreement at a time when the Premiers of Quebec and Ontario were threatening the industry with governmental intervention, making strenuous efforts to halt price-cutting, to advance prices if possible and to stabilize newsprint production with cancellation of timber rights as a weapon to enforce their views. Canada believes that the Bureau has done some good but has fallen short of its purpose; points out that since it covers only Ontario and Quebec, it is handicapped in its operations as a pool by the freedom of mills in the Maritime Provinces and British Columbia. Another obstacle has been met in the promotion by United States publishers of increased imports from Europe in response to the threat of a Canadian price increase.

A more fundamental cause of the industry's troubles is over-expansion, too ambitious development. Provincial governments encouraged it by power and timber limit concessions. There was something like rivalry between Ontario and Quebec. Now productive capacity is far in excess of market requirements. Further amalgamation is considered certain as the most certain means of keeping prices at a profit level. Several mergers have taken place in the last few years but more and bigger ones are indicated.

There is some opinion that, should recent developments cause a break-up of the institute, just as its predecessor, the Canadian Newsprint Co., was destroyed a few years ago, an era of free competition will follow in which price and service concessions will be the chief weapons. Others suggest that the tie-up of Hearst with a single company should go far toward stabilizing the industry—perhaps even farther than the institute has. Experts holding this opinion point out that when the huge requirements of the Hearst organization have been thrown on the market the ensuing intense competition among newsprint producers has been conducive to price-cutting and special inducements of all kinds; that, with virtually all of these requirements to be supplied by a single company, and this disrupting influence removed from the fall contract squabbles, much better conditions may prevail.

Newsprint is Canada's leading manufacture and pulpwood is second only to wheat in export, the 1929 figure being 836,000 tons valued at $43 million. Exports of paper and paper goods reached $154 million, being greater than exports for the rest of the world in these lines. Newsprint production for 1929 was 2,716,000 tons, 95% greater than that of the United States; for the first 8 months of 1930, was 1,702,000 tons.

Paper Company Plans Supply 45 Years Ahead

IT requires financial courage to invest in reforestation, which frequently brings no return for 40 or 45 years, but during the last 4 years the Nekoosa-Edwards Paper Co. of Port Edwards, Wis., has planted 2,000 acres of its own land with white, Norway, and jack pine and white and Norway spruce; during the next year it expects to plant an additional million trees to bring the newly planted area up to 4,500 acres.

Formerly, nursery stock was purchased for reforestation but now the company grows its own at Nepco Lake. Seedlings are developed to 3 to 8 in. high, are planted from 6 to 7 ft. apart. Planting crews of 10 to 15 men are used, each planting from 2,000 to 3,000 a day. From 90% to 96% of trees planted in this manner survive the first year.

Canada Speeds Up Construction To Relieve Unemployment

Special Correspondence, Ottawa

UNEMPLOYMENT relief in Canada is past the stage of talk. Premier Bennett's Conservative government has acted with remarkable speed. With a northern winter impending, Canada already has carried through measures which are expected to cut actual suffering to a minimum and tide through some areas with moderate prosperity.

The new emergency tariff is keeping out many classes of goods which can be made in the Dominion. Immigration restrictions have canceled sailings and precluded additions to the unemployed. With these outside factors adjusted to promote maximum domestic production, Canada is urging its industrialists to expand payrolls still further by crowding construction into the next few months.

A Dominion fund of $20 millions for construction is among the most important agencies of relief and is being used so as to roll up a total of $80 to $90 millions when combined with private funds to be expended within a year. The biggest single stroke on the part of the government was its success in putting $21 millions in railway construction on the program for the next 12 months instead of letting it run over 3 or 4 years as the Canadian Pacific and Canadian National had planned. The railroads have now agreed to speed up this work on the promise of the government to pay interest on the outlay for 15 months to compensate financing losses. This construction will provide jobs during the winter for 10,000 men and 2,000 teams, the latter a big factor in the West. The work entails immediate orders to Canadian steel mills for 350 miles of steel rails. It takes 4 tons of coal to make a ton of rails, so the miners also benefit.

Additional employment in Nova Scotia coal mines is secured through action of the government in persuading Canadian National Railways to replace with Canadian coal 100,000 tons of United States bituminous used in locomotives, and to order an extra 100,000 tons for banking. Canadian Pacific will do likewise. Farmers gain by Ottawa's agreement to divide with the provinces the cost of transporting cattle to be fattened on surplus feed.

The bulk of the $20-million fund goes to assist provincial and municipal works, each dollar being matched by about $5 of local money. Transcontinental highways are on a dollar-for-dollar basis. Several millions will be spent on grade-crossing elimination.

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CANNON ST BANK
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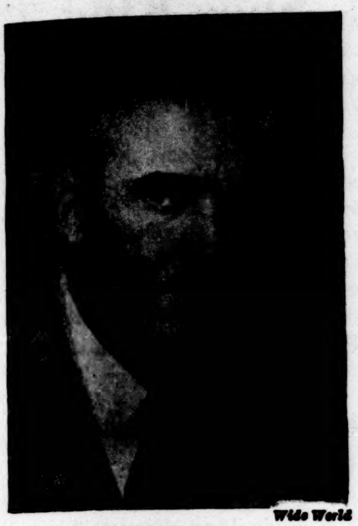
Keystone

ENGLAND'S STREAMLINED MOTOR CAR
Developed by Sir Dennis Burney, designer of the R-100, it has the engine in the rear, and is streamlined to lower wind resistance, save fuel. Spare wheels are carried in the doors



Wide World

A. E. WILDEY
London's "trade ambassador" to Canada arrives to improve relations with the old country

Canadian Radium Deposit May Be World's Largest

MINING men read with interest this week dispatches saying Canada now believes that Haliburton County in Ontario, between Toronto and Ottawa, will yield enough radium to supply the needs of the British Empire and break the Belgian Congo monopoly. They pointed out that only actual development will show whether this field, known to the provincial government for the last 3 years, is the world's largest as claimed, but noted reports that its ore assays 186 milligrams a ton against 160 in the Congo.

Evidence of early exploitation is seen in the statement that Dr. C. E. Richards, head of the X-ray department, Toronto General Hospital, and internationally known radium expert, has been offered enough American capital to develop the field, says production could be started within 6 months. It is proposed to keep the find under Canadian control.

Almost all the world's radium so far has been supplied by L'Union Minière de Haut-Katanga, now also the world's largest copper producer. This firm's output has grown gradually from 20 grams in 1923 to 60 grams in 1929. Present quotations are $70,000 per gram. Recent negotiations have been under way for a merger of radium interests in Cornwall, South Australia, and Czechoslovakia to cut into some of this profitable trade. So far, most ventures outside the Congo have not survived.

Announcing
the current issue—

HARVARD BUSINESS REVIEW

TODAY, if ever, the executive responsible for formulating management policies needs to keep in touch with current business problems. To him, this quarterly journal (edited under the direction of the faculty of the Harvard Business School) presents in its October issue the following significant, timely articles:

Developments in the Federal Reserve System—*By* Oskar Morgenstern

War Planning and Industrial Mobilization — *By* A. B. Quinton, Jr.

The State and Its Subdivisions as Members of Business Corporations—*By* Pierre Jolly

The Merchandising of Ideas—*By* Marvin Bower

What is the Position of British Industry?—*By* Hugh Butler

The Independent, et al., versus the Chains—*By* Boyce F. Martin

The Recovery of Germany's Merchant Marine after the War—*By* Jacob Magnes

Business Policing Itself through Better Business Bureaus—*By* John Richardson

Ten Investment Trusts in America—a Three-year Record—*By* Joseph A. Thomas

The Clothing Workers' Factory in Milwaukee—*By* Lyle W. Cooper

Department-store Importing—*By* V. A. Hower

Testing Advertising — By Mabel Taylor Gragg

Mechanization in Industry—*By* F. J. Roethlisberger

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Send All Orders to the Publishers

McGRAW-HILL BOOK CO., INC.
370 Seventh Avenue New York

Batá, Czechoslovak Shoe King, Plans New Factory in Germany

By Special Cable to The Business Week

THOMAS BATÁ (pronounced Bahtcha), famed Czechoslovakian shoe manufacturer, learned American mass production methods at Lynn, Mass., and has been a source of worry to American shoe manufacturers ever since. He set up his own factory in Zlin and began exporting to this country. He has now startled Germany with the announcement that he will build a shoe factory in German Silesia which will at once employ 3,000 men, eventually 10,000.

Hurdles Tariff Bars

Though not expected in Germany, this move by Batá is easily explainable. The German shoe industry, depressed for some time, has put up strong resistance to Czechoslovakian imports. Since 1928, when German purchases far exceeded those of all other countries buying from Batá, orders have decreased. By building a factory in Silesia, Batá is following another American business practice—that of hurdling tariff barriers. There are 79 American branch factories in Germany.

Reaction in Germany since the announcement has varied. Most recently, general opinion supports the development, evidently with the belief that the increased employment it will bring to a poverty stricken section will lead to greater consumption of other German materials and greater exports of shoes from Germany, both important in Germany's present difficult situation.

Our Purchases Heavy

Of our imports of 6 million pairs of shoes last year, 72% came from Czechoslovakia. Great Britain, Poland, and Austria are other large purchasers of Batá shoes, though the United States and South American countries were the only customers to increase their purchases last year. Batá is able to maintain low prices by utilizing the cheap, unskilled labor at his disposal, and speeding daily output by moving belts to rival American competition. Trade union regulations in this country hamper introduction of belt methods. Batá's 22,000 employees turn out 100,000 pairs of shoes a day.

Thomas Batá is the Henry Ford of Czechoslovakia in more ways than one. Known throughout Europe for his advanced ideas on labor housing, wages, and group bonus plans, he has recently completed technical arrangements to inaugurate the 5-day week for all his workers at Zlin. There will be no wage decrease and no price increase for his shoes. The new plan will give the worker 104 free days annually besides legal holidays.

Britain Rationalizes Her Shipbuilding

Two announcements have cheered British shipbuilders. To date this year, foreign orders for new ships have exceeded by $5,409,750 those placed in the same period last year. More significant is the acquisition of the large shipbuilding establishment of William Beardmore, at Dalmuir on the Clyde, by National Shipbuilders' Security, Ltd.

Beardmore was one of the largest builders of British vessels during, and immediately after, the war. In recent years the company has turned to commercial building but has not been fully occupied. When National Shipbuilders' Security, Ltd., was formed last February by Britain's largest shipbuilding interests, it was for the purpose of purchasing and liquidating redundant yards. The company has borrowing powers up to $14,500,000.

Marine interests point out that British shipbuilding has been steadily consolidating its position for 2 years, is now building over 50% of the world's tonnage. It faces increasingly difficult problems with the drop in naval shipbuilding—25% of the entire production before the war, now cut to 1/7 of the pre-war amount—and with the increasing size of ships, which means a smaller number of berths for the same quantity of tonnage. The 1,500,000 tons put into 350 vessels in 1929 would have gone into 500 at pre-war sizes. The liquidation of surplus yards is merely the orderly way of solving the problem.

British Retailers Cut Prices, Hold Volume

By Special Cable to The Business Week

ENGLAND wants more business facts. On the initiative of the Association of Retail Distributors, 100 department stores in 60 different towns will soon begin to furnish the Bank of England with monthly returns on sales, stocks, and employment. After a sufficient lapse of time to establish some sort of basic figure from which to work, there will be published in the *Journal* of the Board of Trade a monthly retail index.

While this index is being developed, retailers are following the trend as indicated by tabulated data on sales and percentages of increase and decrease when compared with statistics of a year ago. The first report, covering August, showed a decline of 7% in average retail prices. London and its suburbs recorded a minimum loss, only 4%. Scotland suffered the greatest drop, 12.6%.

Prices in every category were down. Wearing apparel and sporting and travel goods suffered most. Retail volume, despite the depression, has changed but little, though there is a distinct trend from luxury to inexpensive goods. Attending this trend, one department store reports that when the price on a certain article was reduced from 17s. to 7s. 6d., the volume of purchases was so greatly increased that a new high net profit was achieved.

California Ships East Some of Peach Surplus

LARGE and unexpected shipments of California peaches in Eastern markets indicate that the state's peach crop control policy may be turning to dumping rather than destruction of surplus. Although some temporary profit may be derived from this plan, doubts are being expressed as to its ultimate success or wisdom. The peaches which are coming in by cold-pack are fine for canning because their firmness makes for clear-cut slices. But they are almost too hard for eating in the natural state. People are buying to eat by hand, attracted by luscious appearance. Many of them buy but once. At the risk of building up buyer prejudice, both No. 1 and No. 2 kinds are being shipped, according to talk in the markets.

This year the Cling Peach Control Committee did a big job of crop control. The Giannini Foundation of the University of California estimated that the market could comfortably bear just about 13 million cases of canned peaches. (*The Business Week*, Aug. 6). Final count shows that 13,173,000 cases were produced, including 538,000 for remanufacturing into fruits for salads. Restricting the pack to this figure cost

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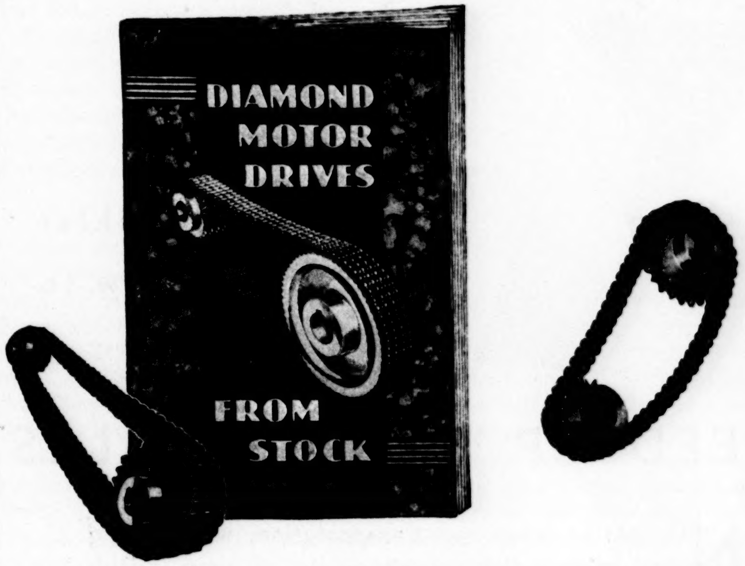

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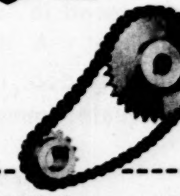

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$2,125,000 to buy up crop surpluses, some of which seem to be finding their way eastward instead of being left to rot. Roughly 145,000 tons were purchased.

There were said to be enough peaches on the trees to pack more than 20 million cases. Growing conditions were good and Midsummer and Phillips ran heavy; Tuscans were off with fully 40% unacceptable as No. 1s. However, the surplus was more than the 110,000, which the canners had first bargained for at $6.50 per ton untouched. To take care of the additional 35,000 tons, the canners paid out an extra $1.50 per ton accepted at their plants, thus raising their costs to $28 per ton when distributors are shouting for price concessions.

Tariff Commission Plans To Work in the Open

HENRY P. FLETCHER, chairman of the Tariff Commission, announced on Sept. 29 the rules of procedure under which the commission, 30 days hence, will commence rewriting the 1930 tariff. Straw hats will be the subject of the first hearing on Oct. 29. The new rules are designed to expedite investigations made by the commission under the revamped flexible tariff provisions of the law. Their effect is to place the burden of proof upon the applicant for an increase or decrease.

All applications will be made public. Formal hearings will be held only in cases which the commission regards as sound. Parties whose applications are rejected in the first instance will be notified with as little delay as possible.

Lincoln Dixon, recently reappointed Democratic member of the commission, has been designated as vice-chairman succeeding Alfred P. Dennis, who was also held over from the old commission. Leland Harrison, who recently resigned as United States Minister to Uruguay, has been appointed chief of the International Relations Division of the commission. This post has been vacant since Benjamin B. Wallace resigned in January, 1929 to join the Kemmerer Commission in China. Mr. Harrison has served in the diplomatic service since 1907. Under his guidance the commission hopes that its work abroad will be accomplished without arousing the ill-will of foreign governments. In the past, the activities of agents representing the Tariff Commission and the Treasury Department have led to formal protest by foreign governments.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

THE encouraging upsweep in business earlier in the month has given way to another period of uncertainty and suspended commitments. Although the basic economic conditions are shaping for the better, and from this point on would probably support a definite, if slow, recovery, the latent improvement cannot make headway against new political tensions which have grown out of the German elections and the uncertainty of further developments, and the spread of chauvinism in Poland, Jugoslavia, and Austria. Another unsteadying factor is the varying nervous reactions in the United States to the German elections, to Russian dumping, and the Sisto failure. There is even some fear that the United States may succumb to another wave of panic and hysteria. Sooner or later, accumulated unfulfilled requirements will find expression. To this may be added 12 months' unspent purchasing power which has been accumulating during the recent restricted period of consumption. Stocks of raw materials, excepting coal, and iron and steel have been materially reduced, some of them to the point where any revival of demand would occasion shortages. Merchandise stocks are thoroughly deflated to hand-to-mouth levels. Prices on primary materials are believed to have reached levels where further changes would be in the nature of normal fluctuations around a consistent average. In short, the period of deflation and losses is ended.

Favoring revival from this point is the extreme plentifulness and cheapness of money, the necessity for restocking requirements, and the resumption of suspended new enterprise and capital investment.

By Special Cable to The Business Week

Great Britain—Britain's trade position remains dull with business very much out of spirits. Coal shows slight improvement in some qualities but there is still no widespread development of general demand. Iron and steel is flat. Despite textile price cuts, demand is not picking up.

Last Friday's metals slump was spectacular. Copper at £44 7s 6d was at the lowest figure since 1896. Tin at £129 17s 6d touched a new low since 1924. Zinc dropped to the 1900 record low of £15 5s. London attributes uneasiness on the metal market to Wall Street depression and reaction to the German elections. The bears, active all week, seem to overlook moves which are under way now to cut down production and curtail visible supplies to tin.

Pacific & Atlantic

A NEW GOOD-WILL AMBASSADOR

One of the most popular booths at the Stockholm Exhibition in Sweden. The lowly hot dog becomes propaganda in the "Americanization" of Europe

The general trade position is strongly overshadowed by semi-political movements preparatory to sessions of the Imperial Conference which opened Wednesday. Business has reacted favorably to two significant moves. The first is the joint memorandum from the Federation of British Industries and from the Trade Union Congress suggesting that the conference set up a permanent empire secretariat with a permanent empire trade conference. The second is the formation of the National Council for Industry backed by such leaders as Sir William Morris, Lord Melchett, and Sir Robert Horne, in all of whom business has confidence and respect.

Britain's coal mission to Norway has brought home a moral lesson which all industry is taking seriously. In 1926, when strikes in the coal mines temporarily halted deliveries of British coal to Scandinavian industry, Polish mine owners jumped at the opportunity to supply these markets. In Norway particularly, manufacturers adapted their furnaces to handle Polish coal and are not now disposed to reconvert these furnaces to the needs of British sellers. The coal trade is not pessimistic over the future for confidence in the efficiency of the marketing schemes under the new Coal Act is quite general.

Units of electricity generated under the Electricity Board show a hopeful increase. Output in millions of units in August was 721. In 1929 it was only 706; in 1928, 624. Each month in 1929 showed an increase over the corresponding month for the previous year and each month in 1930 shows a further increase.

Money remains easy with no demand either by investors or by trade. German and Australian financial difficulties and the break on Wall Street have caused marked reactions on the stock exchanges. Success of the General Electric debenture issue was not a full test of the investment position of the country owing to the special circumstances attending the flotation. For that reason, issues slated for this and coming weeks are anxiously awaited as true tests of investment interest. Postponement of the Liverpool conversion issue of $20 millions until some later date, as a result of consultation with The City and with the Bank of England, is regarded as a sign of small banking confidence in any real fall revival.

Keystone

Air Mail for the Europa

Like her sister ship, the "Bremen," the queen of the seas now has a mail plane. The catapult is mounted on a turntable between the funnels

By Special Cable to The Business Week

Germany — Already weakened by severe depression, business is struggling desperately against the combined adverse influence of the crisis in German credits abroad, and new heavy deficits in the federal budget. Political chaos has caused a disastrous repercussion on domestic stock, bond, and money markets. Withdrawals of gold from the Reichsbank since the election are said to exceed $108 millions. Unemployment increased nearly 100,000 in the first half of September, raising the total to 2,983,000. These reports cast added gloom over German business last week.

The exceptionally strong position of the Reichsbank at the beginning of the crisis has helped that institution to weather the storm without serious danger to the stability of German currency, though it is highly probable that it will be a long time before foreign confidence will be restored in German bonds, especially in the face of this week's striking lack of confidence among the panicky nationals. Heavy offerings of German mark bonds at Amsterdam and Zurich last week allegedly represent sales for accounts of emigrated German capital. Withdrawals of foreign funds sent the private discount to 3⅞%; call money to 6%.

Following prolonged closed deliberations, the government announced Tuesday night a striking program of financial administrative reform. Drastic curtailments of public expenditure are outlined. The government realizes the impossibility of providing immediate cover for the fresh deficit during the current fiscal year, estimated as high as $180 millions, and has proposed to distribute the deficit over the next 3 years by means of banking credits to be negotiated. Herr Luther's visit to the United States is linked with the project to secure bank credits of $100 millions to cover the prospective deficit.

Main features of the reform program are: (1) the president and federal ministers agree to a 20% reduction of salaries, and invite members of the Reichstag to agree to the same reductions; salaries of all other public employees to be reduced by 6%, the yearly economy of this move to total something like $30 millions; (2) federal revenue to be curtailed by $25 millions by transferring certain items to states and communes; (3) reorganization of unemployment insurance to liberate the Reich from direct subsidies, effecting a saving of $60 millions and leaving only the so-called emergency unemployment relief, estimated at $100 millions; (4) increase in the tobacco tax, to yield $40 millions; (5) radical curtailment of appropriations on all government departments.

While most of these measures are to apply only in the new fiscal year beginning Apr. 1, 1931, the increase in contributions for unemployment insurance from 4½% to 6½% are, by special decree, to take effect Oct. 6. Generally speaking the program, except perhaps for the heavy but unavoidable increase in unemployment contributions, is certain to find approval and support from business, but the prospects of Bruening's securing a parliamentary majority for such drastic measures are not bright. The strong favorable reaction Tuesday on the Berlin stock exchange to the rumor that a presidential dictatorship would be formed is indicative that the policy will find support from a sensible majority of the German people, particularly among business men.

Following the post-election collapse of market support for wheat and rye which resulted in a price fall on rye of 25% in the last 10 days, the government has decided to discontinue export subsidies on most cereal products except flour, for which the export bounty is reduced to somewhere between 20% and 50%. The decision is caused by the rapid depletion of the funds assigned by the last Farm Relief Act for payment of export subsidies. At the same time the government is using the flexible provision in the agricultural tariff to promulgate an increase in the wheat duty from $36 to $44 per ton, in line with a further decline in the world price. This is to be followed by an increase in the milling quota of domestic wheat from 60% to 80% during October and November.

The German gasoline sales cartel has been disrupted due to increased competition from outsiders, particularly Roumanian companies, and to differences of opinion in the big oil concerns and independent distributing firms already within the cartel. The market is badly disorganized; tanking prices have been reduced one cent a liter, and are likely to drop even lower. Optimists see in the continued cooperation of the largest members—Standard Oil, Shell, and Anglo-Persian—a probable nucleus for a new cartel, though chances for a return to orderly marketing depend largely on the ambiguous attitude of the Soviet oil distributing organizations whose sales in Germany are rapidly expanding.

Confronted by the abnormal situation of having 15 locomotive works with a total annual capacity of 3,000 engines against potential annual orders in the next three years for 100 locomotives, federal railways will allot orders for the next three years to only 7 firms, including the Big Five—Krupp, Henschel, Borsig, Schwartzkopff, Hanomag. Even this measure does not insure adequate employment for the 7 chosen builders and they will be forced to make a desperate drive for foreign orders.

The Chrysler Company, to cut overhead, is reported to be closing its Johannisthal assembly plant and intrusting the sales of cars to the Hanko Company at Coblenz, agents also for Nash and Packard.

By Special Cable to The Business Week

France—Business is routine in character evidencing neither any tendency to improve or retrograde. Sentiment is not alarmed over the German situation though uneasiness is growing. Irritation was occasioned by the failure of the naval negotiations with Italy, and the British note suggesting arbitration looking toward compensation of British holders of French franc war bonds for the subsequent exchange depreciation. While France herself last year brought arbitration proceedings against Jugoslavia and Brazil on behalf of French holders of prewar bonds, proceedings which The Hague court sustained, these bonds contained gold or fixed exchange clauses whereas the French bonds held in Britain are expressed in francs only.

The cinema control commission has shelved the recently initialed Franco-German film agreement pending the hearing on protests of American interests who claim the agreement is discriminatory and vitiates existing agreements, by which American films entering France are limited to 7 imports for each French film produced; whereas American films entering Germany can enter only film for film with German production and only within a limit fixed in advance by the government. The new Franco-German reciprocal agreement would extend virtually national status to films produced in one of the countries and marketed in the other without regard for the existing quota restrictions still binding on America.

New complications in automobile imports have arisen through the neglect of American companies to comply with the decree issued last June requiring appointment of an accredited representative holding the power of attorney in France who should be responsible for agents' payments of automobile luxury taxes on all cars sold. Companies who ignored the decree are now exposed to import prohibitions though no case has as yet been prosecuted.

By Special Cable to
The Business Week

Italy—August business statistics, just released, confirm the then current reports that business was declining. The Federation of Italian Industries, on the other hand, in a recent meeting expressed optimism over the relative resistance of Italian industry to world depression. The belief was general that certain branches of industry have already turned the corner and are now on the upgrade. Confidence in the general prospects for improvement was widespread. The federation adopted a resolution against compulsory amalgamations but encouraging voluntary associations designed to strengthen business organization and cheapen, by eliminating overlapping competition, the buying of materials and marketing of products. A campaign has been launched among members to promote the reduction of retail prices on their products, the belief being widely held that the public resents the fact that retail prices have not proportionately followed the decline in base costs and that consumption is curtailed in protest.

Immediate industrial conditions are spotty. Wool, cotton, and motors are sagging. Some optimism has been created with the beginning of the execution of the government public works program, the recent increase in shipbuilding orders, both foreign and domestic, and the increase in orders for tractors. Iron and steel are already feeling the stimulus of these fresh orders. Electric consumption in August was practically identical with 1929, but there was a marked decline in the northern industrial area which was counterbalanced by expansion in the south with large numbers of new users. August railway tonnage was down 17%, partly attributable to increasing truck competition and to movement last year of an exceptionally large crop.

LATIN AMERICA

Conditions are again spotty in Latin America, but disturbances during the week have not greatly disrupted business except in Havana where suspension of payments by the Banco do Commercio, one of the important native banking institutions of Cuba, threatened to cause a run on other banks. Nearly $50 millions in cash were rushed to Cuba from New York and Miami and as a result the public has resumed confidence. New York banks with branches in Havana anitcipate no further runs. It is rumored in Wall Street that the Banco do Commercio may be only temporarily embarrassed and may be able to reopen.

At the same time, the Chase Securities Corp. is conferring with the Cuban government regarding the issuance of an additional $80 millions of bonds for the furtherance of public works.

Chilean authorities are holding the whip hand over recurring attempts at rebellion, are likely to weather the squall. Uruguayan business is still resisting the attempts of the government to force higher taxes to cover a higher minimum wage and increased pensions. Close observers are inclined to side with business; urge that further tax burdens such as those proposed by the government might lead to a real business crisis.

In Argentina, reorganization under the Uriburu government continues calmly. Brazil's business trend is unchanged.

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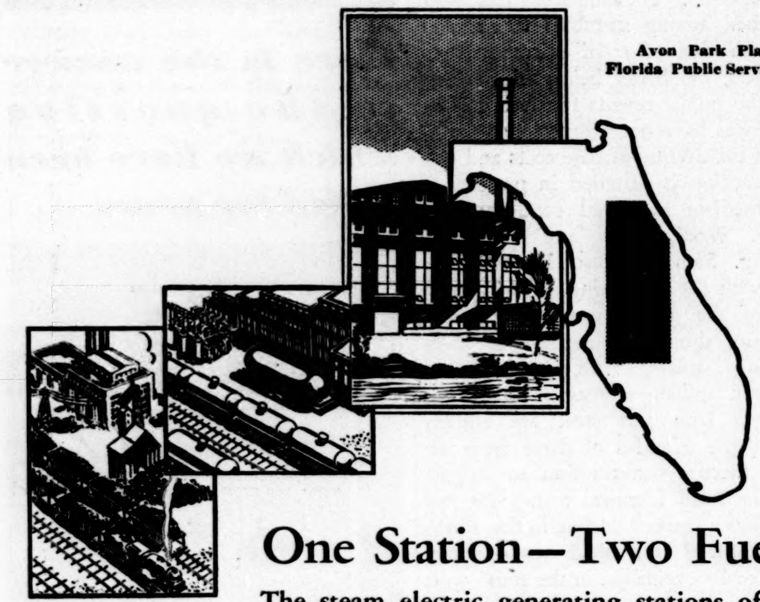

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Wide Reading

RAYON INDUSTRY SETS NEW BUT UNENVIABLE RECORDS. Douglas G. Woolf. *Textile World,* Sept. 27. In 1930, rayon imports into the U. S. will have declined more than 50%, prices will have established a new all-time low, and unprecedented market demoralization in a controllable fibre will have been the keynote.

AMERICAN RECOGNITION OF RUSSIA: WHAT IT WOULD MEAN TO EUROPE. Paul Scheffer. *Foreign Affairs,* Autumn. A German, and former newspaper correspondent is Moscow, gives the year's most searching analysis of the Soviet problem. What recognition would mean to business.

MARE NOSTRUM. Francis Miller and Helen Hill. *The New Republic,* Oct. 1. The balance of the Old World has been destroyed by America's economic outthrust towards Europe. The American system is becoming universal—is creating a common field of activity from Puget Sound to the Black Sea.

THE BRITISH IMPERIAL CONFERENCE. John A. Hobson. *Nation,* Oct. 1. What may happen to leading topics on the agenda.

WHAT IS THE POSITION OF BRITISH INDUSTRY? Hugh Butler. *Harvard Business Review,* October. A balanced picture of good and bad points in the British system. Frankly optimistic.

POPULAR BUSINESS BOOKS. Ethel Cleland. *Publishers' Weekly,* Sept. 27. What executives in various communities read. Hints to publishers; stimulus to the executive who needs to know what "the other fellow" is doing.

TRUCK COMPETITION IS TAKING THE RAILWAYS' CARLOAD TRAFFIC. L. B. Young. *Railway Age,* Sept. 27. Big trailer trucks with sleeping berths for relief drivers go fast and far, carrying a widening variety of bulk commodities.

WHY WORK SO LONG? William Green. *Forbes,* Oct. 1. What labor wants in employment security.

FEDERAL ENGINEERING REORGANIZATION. Kendall K. Hoyt. *Engineering News-Record,* Sept. 25. Recasting of federal bureaus along lines of logic rather than haphazard growth may start in technical fields and ultimately involve many more activities than engineering.

PLACING INDUSTRIAL SELLING ON A PAR WITH CONSUMER SELLING. Fowler Manning. *The Dragon,* September. Why industrial selling is not as well organized as consumer selling.

BY ROAD TO TOKYO. *The Japan Weekly Chronicle* (Kobe), Aug. 21. A Chevrolet bus, lubricated with Vacuum oil and using Dunlop tires, demonstrates to the Japanese the possibilitits of long-distance, non-stop bus travel. 426 miles in 22 hours.

THE WORLD'S BIGGEST DRUG CHAIN. *Fortune,* October. The complicated ramifications of Drug, Inc., are charted and explained.

BOOKS

TRENDS IN THE FOREIGN TRADE OF THE UNITED STATES. National Industrial Conference Board, 329 pp., $3.50. Factors underlying changes in foreign trade trends, new openings for U. S. products in world markets, new sources of U. S. imports. Valuable for the exporter.

WHY YOU WIN OR LOSE. Fred C. Kelly. Houghton, Mifflin, 177 pp., $2. Psychology of stock speculation. Free of statistics and easily readable.

What the Figures Show

THE relentless decline of prices in the grain and stock markets during the past week has spread to other commodities and aggravated the uncertainty of the general business situation. Business seems to have reached the characteristic impasse of the low point of depression and is marking time while waiting for unprecedented low commodity prices to stimulate demand. Our index of general activity based on eight major indicators of trade and production reflects this hesitation.

The preliminary estimate of business activity stands at 86% of normal compared with the revised figure of 85.8% for the preceding week and 109.2% a year ago. Both the production and trade series registered a negligible increase over the preceding week, the former rising from 80.3% of normal to 80.5%, while the latter, showing the usual higher level of activity compared with production, rose from 90.3% of normal to 90.6%.

The Situation in Steel

Steel ingot production maintains practically the same rate of operations as the preceding week, Dow, Jones estimating activity at about 60% of capacity compared with slightly more than 60% a week ago, while the *Iron Age* puts the rate at 61%, unchanged from the preceding week. Both the U. S. Steel Corp. and independent producers reported some curtailment based more on uncertainty in other markets than on any diminution of confidence in steel circles. A year ago, steel activity took a last spurt before declining to the end of the year, reaching a level estimated at 85% of capacity.

Price weakness in pig iron and scrap have served to unsteady the market this week, though steel bars and sheets have maintained the price advance. The moderate increase of orders in the past month, according to *Iron Age,* was probably caused by low inventories rather than increased consumption. It is hoped that the fourth quarter will bring definite specifications for shipment of the forward buying orders placed recently. Fabricated structural steel orders totaled 24,000 tons this week, while new bookings of 15,000 tons were among the smallest totals for the year. The September report of unfilled orders of the U. S. Steel Corp. is expected to show an increase over August—the usual trend for there months on all but three occasions for the past ten years.

	Latest Week	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	***86.0**	**†85.8**	**109.2**
Production			
Steel Mill Operation (% capacity)	**60**	**60**	**85**
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	**‡**	**$12,757**	**$18,695**
Bituminous Coal (daily average, 1,000 tons)	***1,486**	**†1,524**	**1,836**
Petroleum (daily average, 1,000 bbls.)	**2,390**	**2,422**	**2,900**
Total Electric Power (millions K. W. H.)	***1,865**	***1,850**	**1,930**
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	**159**	**161**	**195**
Check Payments (outside N. Y. City, millions)	**$4,850**	**$5,285**	**$6,736**
Money in Circulation (daily average, millions)	**$4,466**	**$4,483**	**$4,782**
Wheat Receipts (1,000 bushels)	**13,317**	**16,876**	**10,811**
Cotton Receipts (1,000 bales)	**517**	**503**	**639**
Cattle Receipts (1,000 head)	***178**	**†224**	**268**
Hog Receipts (1,000 head)	***417**	**†388**	**490**
Wool Receipts (1,000 lbs.)	**2,644**	**2,328**	**5,995**
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	**$0.77**	**$0.78**	**$1.23**
Cotton (middling, New York, lb.)	**$0.105**	**$0.109**	**$0.186**
Iron and Steel (composite, ton)	**$32.52**	**$32.56**	**$36.36**
Copper (electrolytic, lb.)	**$0.099**	**$0.102**	**$0.178**
All Commodities (Fisher's Index, 1926-100)	**83.1**	**83.6**	**95.8**
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	**$16,914**	**$16,881**	**$17,244**
Commercial Loans, Federal Reserve reporting member banks (millions)	**$8,453**	**$8,477**	**$9,524**
Brokers' Loans, New York Federal Reserve member banks (millions)	**$3,063**	**$3,222**	**$6,804**
Federal Reserve System Ratio	**81.6**	**82.0**	**72.7**
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	**16,179**	**9,677**	**24,557**
Stock Prices (N. Y. Times, average 50 stocks)	**$188.11**	**$197.95**	**$296.13**
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	**$64,091**	**$46,525**	**$51,243**
Bond Prices (Dow, Jones, average 40 bonds)	**$97.58**	**$97.37**	**$92.18**
Interest Rates—Call Loans (daily average)	**2.0%**	**2.2%**	**8.4%**
Interest Rates—Time Loans (daily average)	**2¼–2¾%**	**2½–2¾%**	**9–9¼%**
Business Failures (Dun, number)	**488**	**497**	**428**

***Preliminary   †Revised   ‡Not available**

Our adjusted index of steel ingot activity declined from 87.2% of normal to 86.3% as a result of less than the seasonal increase expected at this period.

Building Contracts

Since the actual data on building contracts awarded in the 37 states for the last days of September are not available for inclusion in our index, a conservative estimate of the weekly total was made which placed our preliminary building index, when adjusted for changes in cost, seasonal variation and long time trend, at 69.1% of normal compared with 68.8% the preceding week. While the average daily rate of awards for the first sixteen business days of September was but fractionally lower than for August, the month as a whole usually reveals a decrease of 7% to 9%. In 1928, an exceptionally active year for building, a sharp increase of 12½% was reported.

The *Engineering News-Record* report on heavy construction awards for September indicates a total of $214,200,000 compared with $239,592,000 for August, a decline of 10.6%, and $325,781,000 for September, 1929, a decline of 34.3%. Awards for the last days of September were at a considerably higher rate than the preceding week. September contract awards in the two major cities of the country—New York and Chicago—have been significantly large According to S. W. Straus & Co., permits in Chicago totaled $13,381,500, a gain of 14.3% over the previous high of the year in May and 18.2% above September, 1929. In the metropolitan area of New York, the F. W. Dodge Corp. again reports the maintenance of the dominant position of residential contracts for the first twenty-two business days of September. The daily rate for this group is now 46% above that of August and more than double that of September, 1929.

Coal and Petroleum

Coal and oil production continue to fluctuate irregularly, both turning sharply downward in the past week. Bituminous coal production to date runs from 4% to 15% below that of the same period of the past four years. Our adjusted preliminary index now stands at 69.1% of normal compared with 71.3% the preceding week. The curtailment in anthracite production is indicated by the report of employment and payrolls in the Pennsylvania collieries for August as compared with July, showing a sharp drop of 13% in employment and 6% in payrolls compared with an increase last year of 9% and 21% respectively. Estimates of oil production for 1930 indicate a sharp drop in the output of the United States and the world. The present daily rate of crude output is now at the July, 1928, level, with efforts still being made to cut production to the lower consuming tendency of the present year.

Electric power output continued the slightly upward trend characteristic of this period of the year. At no time this year has production fallen more than 4% below the high level of 1929. Our adjusted index shows a slight increase from 96.3% of normal to 97.1% for the closing week of September.

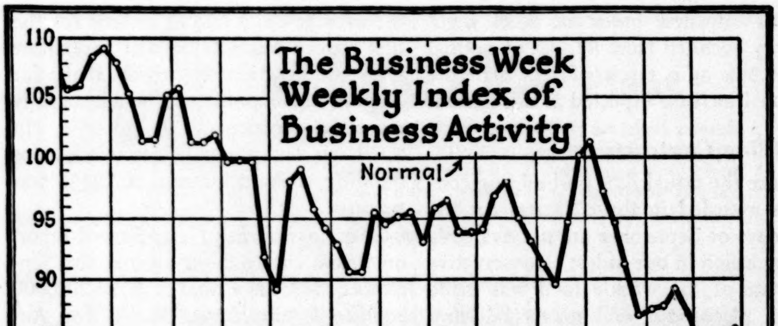
Decreases in coal, miscellaneous freight, ore and grain loadings accounted for the downward trend of carloadings for the week of Sept. 20. Such irregular fluctuations are not in themselves significant of the future trend. The fall of 1926 and 1927 revealed similar irregularities before the peak of the year's loadings was established. Our adjusted index which is based solely on the miscellaneous and less than car load groups declined fractionally from 82.4% of normal to 82.1%. Estimates of loadings for the fourth quarter submitted by the Shippers' Regional Advisory Boards forecast a decline of 7.3% below the same period in 1929. Every region is expected to show a decline ranging from 1% to 13% except the Atlantic states where a 4% increase is anticipated. Large decreases are expected in automobiles, ores, cotton, lumber, agricultural implements, and machinery. Negligible increases are forecast for a number of food products and petroleum.

Check Payments

Check payments in the 140 cities outside of New York declined but 8% from the high total of the preceding week, due possibly to the activity of the stock market rather than to any increased trade activity. In the 131 cities outside of the large financial centers a 10% drop from the preceding week occurred. Our adjusted index based on the average of the past two weeks rose from 92.2% of normal to 92.7%.

Money in circulation—a guide to wage payments and retail trade—has declined for the third successive week to the level of the first week in August. While such trends are not unusual for September, their continuance must be regarded as an unfavorable sign for fall activity. Our adjusted index declined from 100.4% of normal to 100.1%.

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.



The decline in commodity prices was the outstanding feature of the business situation for the past fortnight. Starting in wheat, a crop which accounts for about 7% of the gross agricultural income, on the basis of rumors and Russian sales, the decline assumed panic proportions and spread rapidly to other markets without regard to the statistical position or production costs of the individual commodities. Rallies have occurred in wheat, cotton, corn, sugar, but not until low records of many years' standing had been broken.

Weakness in pig iron was reflected in the 4-cent drop of the composite iron and steel price. Our figure on electrolytic copper is based on rates at the refineries and does not include the freight charge to New England which is included in the more frequently quoted price of 10¢ a pound, the low since 1896.

Loans and discounts increased, due again to security loans, while commercial loans continued to decline. Due largely to the influence of the price deflator, our adjusted index of these loans increased from 101.8% of normal to 102.1%. Total loans and investments are now 2.7% above a year ago, accounted for by increases of loans on securities and investments in other than U. S. government securities. Our index of this group, adjusted for price changes, seasonal variation and long time trend, stands at 106% of normal.

Money and the Market

CONTINUED decline in shares and an acute break in commodity prices interacted throughout the week up to Thursday and brought a touch of panic conditions in all markets. Sudden, unexpected reappearance of drastic commodity price deflation after a reassuring period of stabilization since the beginning of August, started largely by Secretary Hyde's Soviet scare in the wheat pit, was the main factor in the setback in stocks. Absence of any definite evidence of real business recovery this fall has been a depressing influence since the middle of September; but skepticism on this point has been prevalent for a fairly long time and would hardly have accounted alone for the swift and steady decline in stock prices since Sept. 10, or the reckless sacrifice of values during the past week.

All Previous Years' Lows Broken

The drop since Sept. 10 has been about 20% in the representative averages. All the previous years' lows were broken through, and when the decline was halted Wednesday with a vigorous rally general levels showed a margin of only a few points above last November's lows. September, as a whole, sliced about $4½ billions off the value of Stock Exchange listed securities, a loss almost twice as large as in last September, when the great crash was getting under way.

In last week's decline a few typical bear rumors were brought into play to push the toboggan. A new crop of broker failures was forecast but yielded only two relatively minor additions to the notably small list of casualties that has marked this whole depression so far. Banks were reported to be calling security loans under Federal Reserve pressure, but, with the New York member banks completely out of debt to the Reserve Bank and increasing their brokers' loans for the week, it should have been obvious that there was nothing in this. Month-end adjustment of accounts may have forced some liquidation, but this could not have been a major factor.

Bonds Go Higher

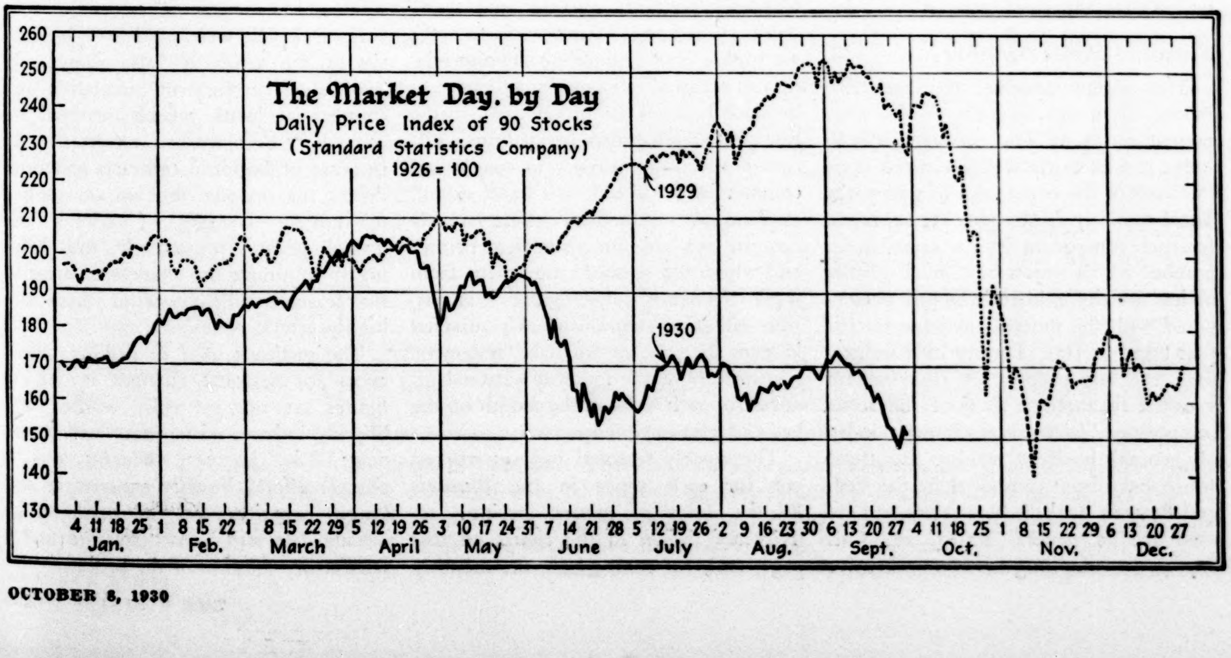
Bonds were little affected by the slump in shares, and plowed steadily ahead to new high levels for the year. Preferred stocks showed the same buoyancy. The bond market as a whole still presents a far from satisfactory picture from the standpoint of its relation to the general business situation. It is still largely a lop-sided affair, with the gilt-edge issues going strong, but with the wider range of industrials lagging behind and not offering much incentive to new issues which would set idle money to work in building and industrial development projects. Reduction of savings bank interest rates this week is expected to stimulate demand for bonds both on the part of banks and of erstwhile depositors.

The money market firmed somewhat over the month-end, as is usual, but continuance of the extreme ease of recent weeks, with rates lowest in 15 years, is expected in default of any rising commercial demand. Although member bank commercial loans are usually rising steadily and rapidly at this season, they dropped off last week, while security loans increased. Increase of bank investment holdings has slackened somewhat. New York brokers' loans showed a large decrease for the week, due to reductions in loans for "others" and outside banks, which more than offset an increase in loans of New York banks for their own account.

Gold still moves the wrong way. France continues to draw from Germany and Britain and the United States from Latin America. To protect the German exchange position and temporarily relieve that country's fiscal difficulties a $110-million credit is being arranged with a group of London and New York bankers. Some gold moved out to Canada, but the amount that was earmarked for foreign account at New York was sharply reduced this week.

Federal Reserve Quiet

There was slight promise of more active Federal Reserve operations this week. Rediscounts of the Reserve Banks increased sharply, reflecting seasonal crop-moving demands. Total bill and security holdings also rose, but there was no evidence of any increase in holdings of government securities, and the New York Bank actually reduced its portfolio to the lowest level since the beginning of August. The policy of merely maintaining abnormal ease in the short-term money market apparently continues unchanged.



Index Adjusts Weekly Figures For Normal Seasonal Changes

WHEN the actual figures for each of the 8 series of indicators which make up *The Business Week's* weekly index of business activity are treated as described in previous articles (see *The Business Week,* Aug. 6, page 36) in order to make each week's figures comparable with those of earlier weeks as a measure of the physical volume of production or trade, it is then necessary to take account of the usual differences between one part of the year and another due to seasonal influences.

Each kind of productive or trade activity has its characteristic seasonal fluctuations; during some months it is normally greater or less than in others. Unless allowances are made for these normal seasonal changes it is impossible to form a fair judgment at any time as to whether an increase or decrease over a period of a few weeks is more or less than usually takes place at that time.

Steel ingot production during July, for instance, is usually lower than in April and May, and the movement of goods by railroads is normally rising during August and September and falling during November and December. In judging the trend of steel activity and primary distribution of goods, the important question is whether the daily average rate of steel ingot production during July is lower than in April or May by more or less than the usual seasonal decrease or whether the daily average rate of carloadings in September is higher than July or August by more or less than the usual increase.

Seasonal Index Numbers

The normal seasonal changes from month to month in each of the component series of *The Business Week's* index can be fairly well estimated upon the basis of the experience of past years. These monthly fluctuations are expressed for each component in a seasonal index number which shows how much greater or less activity is in each month as compared with the monthly average for the year taken as 100. The seasonal indexes used for this purpose in allowing for seasonal fluctuations in 6 of the series composing *The Business Week's* index of general business activity are those which have been computed by the Federal Reserve Bank in New York and are used by its general statistician, Carl Snyder, in compiling his comprehensive monthly index of the total volume of trade. For commercial loans and currency in circulation original seasonal indexes have been computed, on a weekly basis.

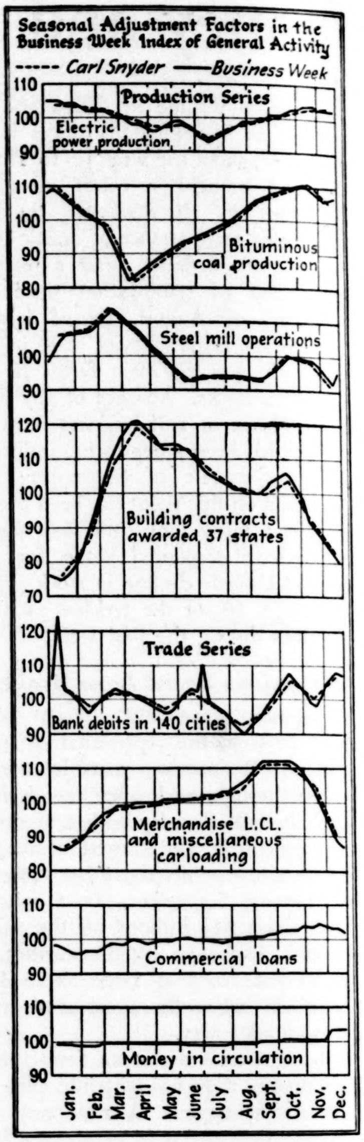
While these seasonal indexes are in themselves fairly accurate and authoritative measures of normal monthly fluctuations in each of the series, their simple application in computing *The Business Week's* index does not fully solve the problem of accurately allowing for the influence of seasonal variations from week to week. There is still a measure of error involved in tracing the trend of activity from week to week during the month, which must be overcome so far as possible by further adjustments.

Need Weekly Check

The main possibility of error arises from the application of monthly indexes of seasonal changes to the figures for each week during the month, in the 6 series where monthly indexes are used. Just how the usual seasonal increase or decrease for the month as compared with the preceding month is distributed over the successive weeks in the month is difficult to determine and to allow for accurately, without careful study of the weekly figures over a period of years.

One of the weekly series in our index (electric power output) is not available for a long enough period to make it possible to determine the average seasonal change from week to week within each month, and the adjustment must be made arbitrarily. In other cases, as in building contract awards and bank debits, the changes from week to week are highly erratic, show no definite relation to seasonal movements, and have to be smoothed out somewhat first. In the case of merchandise carloadings, soft coal production, currency in circulation, commercial loans and, to a lesser extent, steel ingot production, where weekly data are available for a sufficient period, and where the seasonal movement from week to week is quite regular, it is possible either to compute weekly seasonal indexes directly, or to make systematic adjustments of the monthly seasonal indexes for each week in the month on the basis of past experience.

The weekly seasonal indexes worked out for each series in the *Business Week's* index of general business activity are shown in the charts on this page, and, for comparison, the monthly indexes which were used as a basis in six of the series are also shown. In two cases, currency in circulation and commercial loans, weekly seasonal indexes have been worked out directly. In the case of building contracts and bank debits, the seasonal indexes are applied to moving averages of 4-week and 2-week periods respectively, thus helping to minimize the chances of error in the seasonal adjustment of these two highly erratic series.


Seasonal Adjustment Factors in the Business Week Index of General Activity

The methods used in making allowances for seasonal changes in weekly figures are not yet fully worked out. Weekly indexes of business activity are new; *The Business Week's* was a pioneer effort. Further experiment and longer experience in the handling of weekly data will be necessary to find a satisfactory solution of the problem.

Business Level Was Lower But Steadier in August

Department Store Trade Makes Brightest Spot In Reports Now Coming in From Reserve Districts

WHAT the business indicator on the front cover of *The Business Week* showed regarding August business conditions for the country as a whole now appears to be what separate business indicators for each Federal Reserve district might have shown for that month. Complete statistical data from each district, now becoming available for the first time and set down in the table on this page, indicate that if the level in each district was a lower one than July's it was maintained pretty steadily throughout the month.

Despite the general drop below July records, the August picture is a more promising one than that which appeared a month ago "painted with minus signs," as it was then noted. There are plenty of these in the August report, but they are accompanied by a fair sprinkling of plus signs.

All comparisons in the table are with July, the preceding month. The base figures are unadjusted. Thus some of the changes may be lessened or accentuated if adjusted for seasonal and long-time trends.

Department store trade, used as an indicator of all retail trade, makes the brightest spot for August. Every district shows an increase. This pickup comes after 2 consecutive months of heavy declines. The harvest helped this movement, as may be noted from the fact that, outside of San Francisco, the 3 districts registering the largest growth were agricultural regions.

Six districts showed increases in commercial loans. Four of these were agricultural—Dallas, Minneapolis, St. Louis, and Richmond—and crop movements and harvesting are largely explanatory. The Richmond and Dallas districts alone have made increases in both of the last 2 months.

The large declines in check payments were natural with slower business and are further explained by the fact that July was stimulated by the holiday while August was not.

Both savings and time accounts in banks continue to increase. However, the slowness of business and the comparatively high rates of interest paid for these deposits is attracting money to them, which makes the figures misleading. Already a considerable though unestimated amount of the money in savings banks is not savings at all, merely funds deposited to take advantage of high rates while it can not be used in business.

Building figures show another decline, though quite moderate after the huge one of July. Increases in residential construction in 4 of the 12 districts is the feature of these figures.

The large decline in life insurance sales came after insurance appeared to be entirely depression-proof. Despite the large drops in sales in 11 out of 12 districts in August the total for the first 8 months of the year still is above that of the same period of 1929.

Both from the Chicago district and on the Pacific Coast come reports of increased employment, with the increase much larger in the latter area.

Survey of August Business by Federal Reserve Districts

Federal Reserve Districts	*General Business*	*Commercial Loans*	*Time Deposits*	*Check Payments*	*Department Store Trade*	*Building Contracts*	*Commercial Failures*	*Savings Deposits*	*Life Insurance Sales*	*Prime Commercial Loan Rates*
BOSTON	Slower	Increase 0.4%	Up 1.3%	16% decline	3% more	Residential, total off 10%	Number less; value up 18%		Off 7%	3¾—4¼%; Firmer
NEW YORK	Less active	Fractionally smaller	Very slight growth	Contraction of 15.4%	Larger	Home+18%; Total+6.6%	More and 160% larger	0.6% higher	15% lower	4—4¼%; slightly less
PHILADELPHIA	Not much change	0.6% larger	Increase of 3.7%	Down 10.7%	5% growth	Home+86%; Total—2.5%	More but 6.8% smaller		Considerable decline	3½—4½%; off ½%
CLEVELAND	Activity slightly less	Down 3%	2.1% larger	17.6% less	8% larger	Home—15.9%; Total—30%	Fewer; value 30% higher	Nearly 1% larger	14.5% less	4—5½%; little less
RICHMOND	Signs of improvement	Up 1.7%	1.7% more	Smaller by 10.3%	4% higher	Home—50.2%; Total—34.9%	Slightly more; value less		Drop 11. %	4—5%; easier
ATLANTA	Decline	3.3% smaller	Slightly less	Drop 7.7%	Increase 10%	Decline of 12% to 14%	Fewer and smaller		2.5% down	5—5½%; Higher ½%
CHICAGO	A little better	Unchanged	About 1% more	Minus 8.8%	Plus 12%	Home—12.7%; Total+7.3%	Number—22%; Value—24%	Small increase	—12%	4—5%; unchanged
ST. LOUIS	Not much change	1.8% larger	Very slight increase	10% less	7% more	Home—24.3% Total—8.9%	More but value—16%		Less	4—4½%; slightly less
MINNEAPOLIS	A little more active	4% higher	1.5% higher	Larger by 7.6%	Up 12%	Home+5.1% Total—22%	Number—7.9% Value+11.2%		11.9% decrease	4—5%; unchanged
KANSAS CITY	Little change	Down 1.7%	Down 1.1%	7.6% less	11% more	Home—25%; Total+63%	Number—20.2%; Value+55%	Up 1.4%	Down 10%	4½—5% unchanged
DALLAS	Very slightly better	Slight increase	Unchanged	Down 2.9%	9% higher	Home+5%; Total—25%	Number+29%; Value+16%	2.7% larger	48% larger	4½—5½% easier
SAN FRANCISCO	Not much change	0.5% increase	Fractionally larger	Smaller by 3.7%	Plus 17%		Number—12%; Value—21.5%	0.4% growth	Off 6.2%	5—6%; unchanged
UNITED STATES	A little slower	0.4% less	0.5% more	Down 12.8%	Increase 7%	Home—2%; Total—5.5%	Number—5.7%; Value+23%	Increase	15% decrease	Very little change

The Business Week summary from original material: Federal Reserve system statistics for department store sales. check payments, and reporting banks; cooperation of 10 Federal Reserve banks for districts noted for savings deposits and other indicators; building figures from F. W. Dodge, commercial failures from Dun's, and insurance data from Life Insurance Sales Research Bureau

The Dublin Letters

To Mr. Robert B. Dunning, President, Superb Electric Appliances Company, Setting Forth a Point of View

Hotel Blackstone
Chicago
March, 1928

Dear Mr. Dunning:

The sudden illness of my wife has called me back to New York and I am obliged to forego the talk with you which Mr. Bevin was to arrange. In my stead I shall ask you to receive Mr. Philip Bailey, vice-president of the Dublin Advertising Agency. He will be in Chicago tomorrow.

Mr. Bailey will not take advantage of your courtesies to chaw up a lot of your time without giving you anything in exchange. He is a first-rate advertising practitioner who knows his subject, and he will not tire and discourage you by fishing around in your mind to see if he can find one of your own floating ideas to get aboard of.

Now I would like to proceed with a few remarks of my own. I do so at the request of Mr. Bevin, your sales-manager.

Mr. Bevin tells me that, with the release of the news of your proposed agency change, gangs of advertising solicitors rushed in and have all but taken over your business. Unfortunately, there are occasions when a prayer for rain is answered with a wash-out.

Now I understand that Mr. Bevin and Mr. Davis, your advertising manager, are extremely anxious to decide on the winning agency, shoo the losers off the premises, and settle down to work.

Another reason urging an early decision is, as I understand, the need for the forthcoming campaign to be placed in the hands of your salesmen. Six weeks at the outside is the limit Mr. Bevin puts on the delivery of this. Here things are pretty ticklish between Mr. Bevin and myself. The Dublin Agency can turn out a campaign in six weeks—not complete to the last hair slicked down—but a very handsome and plausible performance. Nothing would ail it except this: I wouldn't advise you to take it.

My recommendation is to cut out your advertising for six months—with the possible exception of trade-paper schedules. Mr. Bevin tells me that either I'm the biggest grand-stand player in the advertising league or I'm so crazy he wouldn't trust me to put a $10 ad in a program for the Firemen's Ball.

An absurd and costly fallacy has crept into American business. It consists of a blind feeling that we must always drive our minds and bodies at the same rate of speed as our machines turn out the goods. No human mind can take its pace from a high-geared punch press—and still remain the boss. Whenever we allow machines to set our mental pace we do it at the sacrifice of judgment, imagination, and cool dominance of our business affairs. The day will come when the traditional sign of "SHUT DOWN FOR INVENTORY" will be changed to "SHUT DOWN FOR INVENTORY, QUIET THINKING, AND POLICY REPAIRS."

Two years ago, I had a telegram asking if I could come to a certain small town up in New York state. The wire explained that three of the officials of a well-known concern were there and wanted to talk advertising with me. I went. I found the three executives at a dinky hotel where the food was plain but good. There was no golf course—no exciting amusements.

The vice-president explained to me that they weren't eccentrics, but two or three times a year this executive group went into what they called a "backwoods conference." Any subject in order to qualify for "backwoods" attention had to come under the heading of "too important to be discussed under pressure and in a hurried manner."

We went into session at nine o'clock sharp on the shady side of the veranda with our feet up on the railing. After lunch we took a little walk together and then back to the veranda rocking chairs for the afternoon meeting.

We met again the next morning and I took the afternoon train to New York, carrying with me one of the finest memories of my business career, in spite of the fact that I did not land the account.

Many's the time I have wished for more "backwoods conferences." I know what they can do. A calm, sweet mood, visiting over problems, *solving* them, instead of trying to cover them up with a brilliant piece of patch-work to be delivered on an arbitrary date. Leisure to let thinking-power rise to the surface—a release of vision, too—conception—the building up of a characteristic philosophy of running a business.

I have never forgotten the parting word of one of the members of the "backwoods conference." He said: "There are certain periods when business minds should stop trying to run a mile in a minute and when the most valuable thing they can do for their company is just to stroll and meditate."

I submit now is the time your company mind should stroll and meditate. It needs ventilation, rather than more indoor merchandising gymnastics under the name of *action*.

Symptomatic on this very point Mr. Davis insists that your company will not select any agency which cannot pretty well show its ability to give you a "new idea with a big wallop."

Our comment on "the new idea with a big wallop" was submitted to Mr. Davis through Mr. Derby Thomas of our organization and it is best, perhaps, not to repeat it here.

We emphasized the point that the greatest asset an agency has for the client is the idea it hasn't even thought of yet. It is the *general resource* of agency imagination that constitutes its value in a long-term relationship. It is the *fertility* of the agency which measures its services. It is the mental robustness to produce a host of buds, blossoms, and fruit that finally tells whether the agency is a payer or not.

The creation of *one* idea in a single initial campaign guarantees nothing by way of *continuous* production—and it is the *continuous* sprouting and growth that luxuriates the mental as well as the physical world.

So when it comes to advertising wallops we approach your company empty-handed, although, let me hasten to explain, we do not come empty-headed. Before we made our first solicitation we took pains to learn the history of your business and to acquire considerable knowledge of your trade relationships.

Mr. Bevin has a copy of our trade report. He says there is nothing in it he doesn't know already—except the way we present it hurts more.

This may sound to you as if we think we know more about your business than you do. We don't. We only know enough to make us suspicious. Many a brilliant diagnosis starts on suspicion.

In this case, we have three major suspicions which I would like to put before you. To save time I shall proceed to write them on the "Century" en route to New York.

Thank you for the courtesies your company has extended to us.

Sincerely,
JAMES W. DUBLIN.

Savings Societies Fewer in Ohio

THE merger process has been keeping ahead of the congealment of real estate loans in a number of Ohio's savings and loan companies, but in the last few weeks 12 institutions in Cleveland have had to apply the 60-day withdrawal rule to savings deposits. Mergers and liquidations since 1925 reduced the former 150 loan companies in Cleveland to less than half the number, and now the movement is being accelerated by withdrawals of savings in foreign neighborhoods and the deflation of real estate. Banks are taking over some of the loan company offices as branches.

Ohio's savings and loan companies grew phenomenally in the last 30 years as a specialized means of financing home construction, coupled with what appeared to be complete liquidity of deposits. Two million Ohioans are stockholders, depositors, or borrowers—in many instances all three.

While the rule books usually made it clear that depositors would have to wait their turn if payments on mortgages were slow, most of them never read the rules. The failure of a building association among Poles in Detroit excited people of the same descent in Cleveland and a run commenced upon the loan companies in the Polish and Czechoslovak neighborhoods. Guardian Trust has just taken over a Polish savings and loan society, for liquidation, planning ultimately to use the location as a branch. The oldest and strongest loan companies are little affected.

New England Expects Year to End at Normal

NEW ENGLAND anticipates normal conditions for the final quarter of 1930. According to the New England Council, shippers have forecasted their railroad requirements and indicate a decrease of only 1.2% in the weighted average of 29 commodities, as compared with the same months last year. Decreased shipping requirements in 23 commodities range from 4% to 35%; in 10 no change is anticipated from demands last year; in 10 more increased requirements up to 20% are expected. Increases are anticipated in cement, coal and coke, confectionery, groceries, grains, hardware and small tools, petroleum products, woolen goods and raw wool.

FORTIFY YOUR PLANT AGAINST COSTLY POWER LOSSES

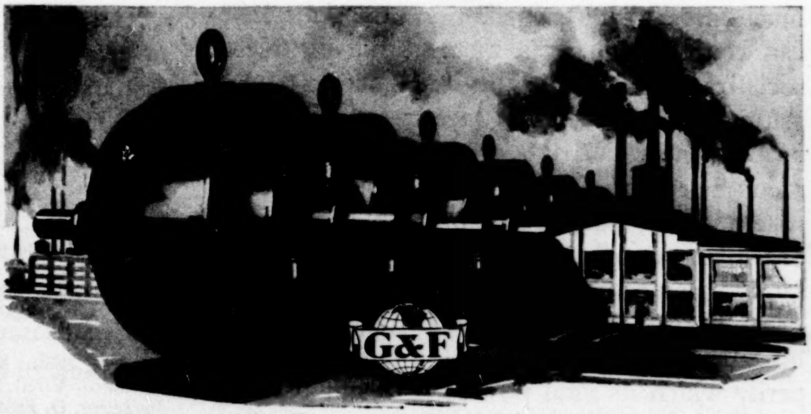
POWER leaks are lurking in scores of industrial plants . . . otherwise excellently engineered and highly efficient. Small leaks, yes—when considered individually. But surprisingly large when multiplied by the number of motors and machines in a plant of average size.

Fortify *your* plant against such costly power leaks. A careful survey by G & F engineers will show you where those enemies of efficiency . . . friction, vibration and wear . . . are attacking your power transmission equipment. It will also show you how to overcome them with economical, fully enclosed, highly efficient G & F Speed Reducers.

We build Worm, Planetary and Herringbone types, in sizes suited to every need. The proper units, as recommended by our engineers, will completely fortify *your* plant against costly power losses.

GEARS AND FORGINGS, INC.
General Offices: 3142 Woodhill Rd., Cleveland, O., U.S.A.
District Offices: Chicago, Pittsburgh, Detroit, Buffalo, New York, Milwaukee, Indianapolis.
Factories: Cleveland, Chicago, Ford City, Pa.

G & F Products
Drop, Flat Hammer and Upset Forgings, Cut Gears
Speed Reducers
Rolling Mill Machinery
Special Machinery
Bridge Operating Mechanisms



GEARS AND INC. FORGINGS
SPEED REDUCERS

THE BUSINESS WEEK

The Journal of Business News and Interpretation

October 8, 1930

The Banks And Business

THERE are many people in this country who often wonder whether bankers are really interested in business prosperity; suspect that no matter how other business may be, this one is always profitable—that bankers, as the phrase goes, "get theirs, going or coming."

It is regrettable that this opinion should be so prevalent today; for there are few things farther from the truth. Banking is a business like any other, highly competitive, risky, difficult, hedged about with formidable regulations. One has only to read the record of bank failures in recent years to realize the absurdity of the popular notion that banking is by some magical providence immune from the vicissitudes of all business enterprise.

We wish to Heaven this were not so, for, paradoxically enough, this is the really serious criticism that may be brought against our banking system. It is the recognition of this obvious insecurity, of this desperate and primary preoccupation with its own business success that lies beneath the popular prejudice and discontent toward banking. No one really cares how much money bankers make; no sane American can contemplate for a moment the complete socialization of banking or its reduction to the status of a public utility merely to control its profitableness. What everyone feels is the paramount need, in this day and age, for a banking system strong, independent, profitable, and well-organized enough to be able to assume, in far larger measure than it has so far, the profound responsibility and broad leadership in the stabilization and advancement of business prosperity which its vital powers of credit control impose upon it. The Federal Reserve Banks, largely removed from the influence of considerations of business profit, were established explicitly with this end in view; and the central banks of most other countries have indeed achieved that position; but the experience of recent years has shown that in this country the vast chaotic, competitive private banking system, now including in it many of the larger business corporations, still holds the balance of power in the control of credit and the money market.

What are the principles, the philosophy, the program, the vision of the future, the constructive policies, and the leadership which this system has to offer the business community in this critical time? For an answer one looks naturally to the American Bankers Association, that representative of the greatest power in the world today—the power of credit in the United States—assembled in Cleveland at the depth of the greatest depression in our history.

As the trade organization of banking one expects it to concern itself to some extent with the technical problems of successful and profitable banking organization and practice. But the business community and the public is justified in expecting something more from these men at this time.

It is not satisfied to hear that they, too, are "ready to serve," like those all over the world who now merely stand and wait. It needs to know now how these men stand on the crucial question of prompt recovery or prolonged stagnation that confronts the world today. It demands decisive evidence that they intend to administer that most powerful and pervasive of all economic forces—the faith in the future which is credit—for the reconstruction of confidence and prosperity here in the United States and therefore in the entire world.

Here today the vision and creative power of a private banking system founded on individual initiative meets a crucial test.

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